Management Discussion and Analysis of Financial Condition and Results of Operations (As of May 13, 2013)

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, 2013 and 2012. 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.

2013 Development Highlights:

Continued progress with the Phase IIb multicentre study for the treatment of advanced ovarian cancer with 13 active centres in Italy and the U.S., with anticipated full enrollment before the end of 2013.

Attended and made presentations at Biofinance 2012 conference in Toronto.

Attended the BioEurope 2012 Meeting in Hamburg, Germany from Nov 12 to 14.

Attended the Biologics World Korea 2013 conference in Seoul, Korea from April 17 to 18.

Announced the acquisition of Immunoglobulin E Technology to strengthen the Company's Combination Therapy Approach for the Treatment of Cancer.

Signed license agreements with both UCLA and Stanford University for their tumor antigen associated IgE molecules and commenced pre-clinical studies with Dr. Tony Hollingsworth and the University of Nebraska.

Announced signing of $8,000,000 investment financing arrangement to support the Company's clinical trial programs, with $1,150,000 of funding received to date, in addition to $500,000 of funding in the form of a non-interest bearing loan.

Closed an equity financing of $500,000, in May, 2012, by way of a common share offering of 5,000,000 common shares.

Overview

Quest is committed to building shareholder value through the discovery, development and commercialization of new pharmaceutical products. It is developing a portfolio of product candidates for the treatment of cancer by combining immunotherapeutic antibodies with chemotherapy, photodynamic therapy, radioimmunotherapy or immunoadjuvants. Quest is also developing a series of products for the treatment of cancer and dermatological conditions, based on the Company's SonoLight Technology platform.

Products under Development - Proprietary Technology:

Quest is developing high affinity monoclonal antibodies targeting certain tumour associated antigens that are presented in various cancers including ovary, pancreas, lung, breast, prostate and stomach. Quest believes that it can apply its portfolio of antibody oncology product candidates to prolong, amplify and shape anti-tumour immune responses to increase the clinical benefits of its proprietary antibodies for the treatment of cancer. The following modalities are critical to that approach:

Chemo Enhanced Immuno-Therapy – combining antibodies with chemotherapy can potentially further complement and enhance the treatment outcome compared to antibody treatment alone.

Combination Therapy – combining antibodies with a booster compound (adjuvant) that improves the immune system's response – compared to antibody treatment alone - can potentially complement and enhance the therapeutic outcome.

SonoLight Technology – is based on a unique non-toxic family of photosensitizing and sonosensitizing, small molecular weight compounds called Hypocrellin, isolated from a parasitic fungus that grows on bamboo trees in China. Quest's products are expected to offer high selectivity and efficacy with minimal side effects. Quest is also developing these compounds as an adjuvant to cancer immunotherapy.

Current Clinical Programs:

Antibody Immunotherapy

Quest is developing the high affinity monoclonal antibody Oregovomab (MAb B43.13) for the treatment of ovarian cancer. Oregovomab targets the circulating tumour-associated antigen CA125, which is shed from the surface of human epithelial ovarian cancer cells; the antibodies induce broad cellular and humoral immune responses against CA125 via complex formation. Clinical testing conducted to date has shown that front-line carboplatin-paclitaxel administered in combination with Oregovomab immunotherapy results in more vigorous immune response to the immunization than observed with Oregovomab in the post front-line mono-immunotherapy maintenance setting. There is a growing appreciation in the cancer immunotherapy community that cytotoxic therapy can provide the immune system better access to injured cells and also

dampen the immune suppressive pathways that serve to turn off immune reactions. The Company believes further clinical trials are warranted with Oregovomab in combination with front-line chemotherapy for the treatment of ovarian cancer.

Clinical Trial Strategy

Taking advantage of the availability of clinical grade Oregovomab (anti CA125 antibody), Quest is conducting one and is planning to conduct two other proof-of-concept clinical trials to establish these principles to ultimately lead to the design of a definitive combinatorial product registration.

An 80 patient multicentre Italian and U.S. cooperative trial to establish evidence for the clinical benefit associated with enhanced specific T cell immunity achievable by combining Oregovomab with carboplatin and paclitaxel in the initial treatment of advanced ovarian cancer (front-line).

A 30 patient clinical trial to evaluate the ability of an immuno-adjuvant, to enhance the strength of the Oregovomab immune response with front-line chemotherapy generated in advanced ovarian cancer patients.

A 30 patient U.S. trial will use gemcitabine, another cytotoxic agent, with neoadjuvant immunotherapy in a cohort of patients with CA125 associated partially resectable pancreatic cancer.

One of the endpoints in all the three clinical trials is the induction of CA125 specific T cells as measured by a well validated ELISPOT assay. Since, CA125 specific T cells induction has been correlated with progression free survival and overall survival in our previous 40 patient Oregovomab combination therapy clinical trial, we are hoping to use this assay as a surrogate marker to get expedited product approval.

Product Pipeline

Quest's pipeline of product candidates consists of four other monoclonal antibodies targeting certain tumour antigens that are presented in a variety of cancers including such cancers as breast, lung, pancreas, stomach and, prostate etc. Quest already has in its possession proprietary antibodies against MUC1, PSA, CA19.9 and TAGG72. These antibodies in the platform will undergo continuing preclinical development in anticipation of rapid clinical development, once the initial Oregovomab studies establish the validity of the proof-of-concept. It is noted that a Phase I clinical trial with anti-MUC1 antibody in 17 patients with metastatic cancer, including multiple myeloma, demonstrated the activation of anti-tumour immunity in those patients.

Monoclonal IgE for Solid Tumor Immunotherapy

The immunoglobulin E (IgE) is a class of antibody that is capable of triggering a robust immune response resulting in anaphylaxis, which plays a central role in allergic reactions against environmental agents and immunity against parasites. Multiple studies also suggest that IgE also plays a role in cancer immunosurveillance. For example, relevant epidemiological studies on the association of allergies with cancer support a lower cancer risk among people with a history of

allergies. Antibodies of IgE class isolated from pancreatic cancer were shown to mediate cytotoxicity against targeted cancer cells. In addition, levels of polyclonal IgE directly correlated with the overall survival in patients with multiple myeloma. All these observations imply that this class of antibody can be exploited for the treatment of cancer to complement the IgG class that has traditionally been developed for cancer therapy.

IgE also has several intrinsic advantages that may increase its therapeutic potential compared to IgG including the exceptionally high affinity for its Fc receptors and its low serum concentration that provide less competition to effector cells involved in tumor killing mechanism. Interestingly, IgE binds cells in tissue as well as in circulation and will home to tumor stroma. Antitumor effects of IgE have been reported in several model system in the literature and at Advanced Immune Therapeutics, Inc., a company (AIT) founded by Dr. Christopher Nicodemus, M.D. FACP from whom Quest recently acquired this technology.

Proprietary research done at AIT has established that IgE is capable of inducing potent cross presentation of tumor antigens allowing strong cellular immunity to form against targeted tumor antigens. Additionally, by mobilizing potent direct cellular cytotoxic effectors mechanisms of the allergic inflammatory response, carefully targeted IgE monoclonal antibodies are capable of directly attacking cancer cells including solid tumors. These effects are both induced at concentrations which are lower than required for monoclonal IgGs currently in clinical use. Safe administration of this class of monoclonal antibody has also been demonstrated in primates. The collaboration of AIT with Professor Manuel Penichet of UCLA has also led to some proprietary rights to this technology for Quest.

Quest is in the process of initiating a preclinical program to identify a lead product candidate that may be advanced to clinical trial for the treatment of solid malignancy.

SonoLight Technology

SonoLight Technology for Dermatology Applications: The Company's lead product, SL017, is a topical formulation indicated for dermatology applications. Recently the Company made a strategic decision to focus its development efforts towards oncology and is therefore looking to out-license its dermatology pipeline of products.

SonoLight Technology for Oncology Applications: A second product from the SonoLight platform, SL052, is an injectable formulation that has received approval from Health Canada's Therapeutic Product Division to initiate a Phase I clinical trial for the treatment of prostate cancer. The clinical trial will be conducted in two stages. The first stage of the study will evaluate the prostate gland distribution of SL052 in up to six subjects undergoing radical prostatectomy. In the second stage of the study, the safety and preliminary efficacy of SL052 PDT treatment with light dose escalation will be studied in 12 subjects with localized prostate cancer. The treatment response will be monitored by MRI, prostate biopsy and changes in baseline PSA levels. The animal studies completed at the Cross Cancer Institute in Edmonton, Alberta, indicate that SL052 has the potential to destroy cancerous tumours in the prostate while limiting collateral damage to healthy tissue.

Products under Development:

Product Candidate	Class	Discovery	Preclinical	Phase I/II	Phase III	Regulatory Approval
Oregovomab (Ovarian Cancer)	Chemo-Enhanced Immunotherapy					
Oregovomab (Ovarian Cancer)	Adjuvant-Enhanced Immunotherapy					
Oregovomab (Pancreatic Cancer)	Chemo-Enhanced Immunotherapy					
SL052 (Prostate Cancer)	PDT					
Anti MUC1 AR20.5 (Pancreatic Cancer)	Chemo-Enhanced Immunotherapy					

Financial Results

Net consolidated loss for the year was $1,630,167 or $0.02 per share as compared to a consolidated loss of $1,368,535 or $0.02 per share for the year ended January 31, 2012. Net research and development expenditures totaled $847,107 while general and administrative expenses were $649,181 for the same period. As of January 31, 2013, the Company had cash and cash equivalents of $56,637 (May 13, 2013 – approximately $25,000). The Company also has debt of $400,000 in the form of a convertible debenture (exercisable at $0.25 and due on June 30, 2013) demand loans of $870,000 (May 13, 2013 - $1,070,000) and an interest free loan of $500,000.

Selected Annual Financial Information

	IFRS January 31, 2013	IFRS January 31, 2012	IFRS* January 31, 2011
Revenue from continuing operations	-	85,667	8,000
Net loss for the year	(1,630,167)	(1,368,535)	(1,353,773)
Basic and diluted loss / share	(0.02)	(0.02)	(0.02)
Total assets	215,340	275,750	396,596
Total debt	1,770,000	1,520,000	1,290,000

** Restated for IFRS*

Results of Operations

Quest's net consolidated loss includes some significant non-cash items. These non-cash items include amortization, options/shares issued as consideration for services and options issued to employees, and loss on write down/sale of assets. For the years ended January 31, 2013 and January 31, 2012, amortization was $111,901 and $116,981 respectively, and share based payment transaction expense related to shares/options issued for services was $48,750 and $6,000 respectively and for employees was $37,600 and $78,000, respectively. For 2012, the Company recorded a loss of $3,984 on the revaluation of marketable securities and a loss of $14,003 on the sale of marketable securities. Net consolidated loss for the year ended January 31, 2013 was $1,630,167 or $0.02 per share on a fully diluted basis as compared to a consolidated loss of $1,368,535 or $0.02 per share for the year ended January 31, 2012. After adjusting for non-cash items, cash flows used in operating activities for the year ended January 31, 2013 were $1,824,540 as compared to $825,075 for the year ended January 31, 2012.

Revenues:

The following table identifies the changes in revenue for the year ended January 31, 2013 compared to the year ended January 31, 2012.

Revenue			
	2013	2012	Increase (decrease)
	$	$	$
Market distribution rights	-	85,667	(85,667)
Total revenue	-	85,667	(85,667)

Market distribution rights revenue relates to the Company's market distribution rights for Asian hair removal.

Expenses

The following table identifies the changes in general and administrative expense for the year ended January 31, 2013 compared to the year ended January 31, 2012.

General and administrative expenses			
	2013	2012	Increase (decrease)
	$	$	$
Salaries, wages and benefits	280,001	239,499	40,502
Audit fees	69,673	67,070	2,603
Legal fees	31,256	4,397	26,859
Other support costs	72,396	79,226	(6,830)
Travel	51,146	42,861	8,285
Consulting	49,999	49,999	-
Rent	16,991	15,190	1,801
Insurance	16,454	15,319	1,135
Public company related costs	59,598	33,851	25,747
Depreciation	1,667	2,156	(489)
Total general and administrative expenses	649,181	549,568	99,613

Overall, general and administrative costs have increased in 2013 compared to 2012, primarily due to an increase in salaries, wages and benefits, legal fees and public company related costs. Salaries, wages and benefits increased due to higher staffing levels in 2013 compared to 2012. Legal fees increased due an increase in litigation and corporate finance activity in 2013 compared to 2012. Public company related costs increased due to an increase in securities regulatory activity related to the Company's annual general and special meeting of shareholders held July 26, 2012.

The following table identifies the changes in research and development (R&D) expense for the year ended January 31, 2013 compared to the year ended January 31, 2012.

Research and development expenses			
	2013	2012	Increase (decrease)
	$	$	$
Sub-contract, consulting and clinical trials	412,632	389,352	23,280
Salaries, wages and benefits	125,585	134,696	(9,111)
Legal (patent prosecution)	90,910	60,683	30,227
Rent	40,745	37,040	3,705
Other R&D costs	114,252	67,946	46,306
Supplies	3,688	2,730	958
Depreciation	110,234	114,825	(4,591)
Gross research and development expenses	898,046	807,272	90,774
Less			
Alberta Finance – SR&ED tax credits	(50,939)	(39,839)	11,100
Research and development expense (net)	847,107	767,433	79,674

Overall, R&D costs have increased in 2013 compared to 2012 due to an increase in sub-contract, consulting and clinical trial costs, an increase in legal patent prosecution costs and an increase in other R&D costs. Sub-contract, consulting and clinical trial costs increased due to an increase in activity related to the Company's ongoing clinical trials. Legal patent prosecution costs increased due to an increase in patent activity related to the Company's acquisition of the IgE technology in fiscal 2013. Other R&D costs include the fair value of options granted to R&D employees and consultants of the Company (2013 - $35,550, 2012 - $17,987).

Fourth Quarter Results of Operations

For the three months ended January 31, 2013 ("Q4 2013"), the Company incurred a net loss of $454,713 or $0.01 per share compared to $592,311 or $0.01 per share for the three months ended January 31, 2012 ("Q4 2012"). Research and development costs of $268,056 were incurred during Q4 2013 compared to $380,701 during Q4 2012. Most of the R&D cost decrease is the result of a decrease in subcontract/consulting/clinical trial costs of $112,645 during Q4 2013 compared to Q4 2012. Overall, general and administrative costs were stable ($182,944 for Q4 2013 compared to $187,261 for Q4 2012).

Summary of Quarterly Results

The following table presents unaudited selected financial information for each of the last eight quarters ended January 31, 2013.

	Year ended January 31, 2013				Year ended January 31, 2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	$	$	$	$	$	$	$	$
Revenue	-	-	-	-	2,000	2,000	81,667	-
Net income (loss) for the period	(309,391)	(433,923)	(432,140)	(454,713)	(265,211)	(296,687)	(214,326)	(592,311)
Basic and diluted income (loss) per share (1)	(0.00)	(0.01)	(0.01)	(0.01)	0.00	(0.00)	(0.00)	(0.01)

(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, 2013, the Company granted a total of 1,915,000 (2012 – 2,150,000) share options, as per the Company's Share Option Plan. In 2013, 975,000 options were granted to non-employees, and 940,000 to employees, all at an exercise price of $0.10 per share and all vesting immediately. In 2012, 200,000 options were granted to non-employees and 1,915,000 to employees, at exercise prices ranging from $0.10 to $0.15 per share, all vesting immediately. The fair value of these options, totaling $86,350, was recognized as an expense and credited to contributed surplus for the year ended January 31, 2013 (2012 - $84,000).

Intangible Assets

Intangible assets include proprietary rights, intellectual property and patent rights which have been acquired from third parties. Intangible assets are recorded at cost less accumulated amortization. The Company evaluates the recoverability of the carrying cost of proprietary rights and intellectual property annually and if the rights and intellectual property are not considered to be fully recoverable, a provision is recorded to recognize them at fair value. For the year ended January 31, 2013, no provision for impairment in value has been recorded.

Capital Expenditures

Expenditures on capital assets were $4,906 for the year ended January 31, 2013 (2012 - $nil).

Outstanding Share Data
The Company has the following securities outstanding as at May 13, 2013:

Common shares issued and outstanding at January 31, 2013	83,697,580
Share options outstanding as at January 31, 2013	6,915,000
Warrants outstanding as at January 31, 2013	10,000,000
Share options granted since January 31, 2013	-
Share options expired since January 31, 2013	50,000
Common shares issuable upon conversion of $400,000 convertible debenture	1,600,000

Fully diluted common shares are 107,162,580, assuming the addition of 5,000,000 common shares to be issued, the exercise of all share options and warrants and the conversion of the convertible debenture.

Financial Instruments
Fair Value - Given their short-term maturity, the fair value of cash and cash equivalents, accounts receivable, marketable securities, accounts payable and accrued liabilities and the convertible debenture approximate the carrying value. The fair values of the Company's financial instruments are measured using a Level 1 classification (quoted prices in active markets).

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 consider its exposure to foreign currency risk to be significant and currently does not 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 and cash equivalents and accounts receivable. To minimize its exposure to credit risk for cash equivalents, 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. At January 31, 2013, 100% of accounts receivable were due from one organization under a federal government program.

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 and cash equivalents are comprised of highly liquid deposits or investments that earn interest at market rates. Interest on the long-term debt is at fixed rates. Consequently, the Company is exposed to fair value changes on long-term debt when the market

rate of interest changes. Accounts receivable, accounts payable and accrued liabilities 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, 2013 cash and cash equivalents were $56,637 as compared to $74,975 at January 31, 2012. At May 13, 2013, the Company had cash and cash equivalents of approximately $25,000.

Cash used in operating activities was $1,824,540 for the year ended January 31, 2013 compared to $825,075 for the year ended January 31, 2012.

The Company has negotiated various extensions to the maturity date of the $400,000 convertible debenture which is now due June 30, 2013. The interest rate and conversion rate remain unchanged at 9% per annum and $0.25 per common share, respectively.

Commencing in February, 2010, the Company secured demand loan financing of up to $1,000,000 from one of its officers. This demand loan financing bears interest at 8% per annum, interest payable monthly and is unsecured with principal repayment to be made 30 days after demand. The principal is to be repaid upon the Company receiving sufficient future licensing fees, equity financing or other revenues. To date, the Company owes $680,000 on this demand loan financing.

In March and May, 2011, the Company secured additional demand loan financing of $100,000 from an independent director of the Company. This demand loan financing bears interest at 8% per annum, interest payable monthly and is unsecured with principal repayment to be made 30 days after demand.

As at January 31, 2013, the Company had secured demand loan financing of $90,000 from an officer of the Company. Subsequent to year end, the Company secured demand loan financing of $200,000 from an unrelated third party to the Company. These demand loan financings bear interest at 8% per annum, interest payable monthly and are unsecured with principal repayment to be made 30 days after demand.

In May, 2012, the Company closed a $500,000 private placement of common shares.

In May, 2012, the Company received a $500,000 interest free loan from an insider of the Company, Mr. Gi Ho Park.

In May, 2012, the Company signed an $8,000,000 investment agreement to provide up to

$8,000,000 of funding over the next 12 months. To date, $1,150,000 of funding has been received under this financing.

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 to the fourth quarter of fiscal 2014.

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	273,289	56,307	114,164	102,818	-
Research & development and other contracts	1,936,636	629,161	1,020,471	287,004	-
Total contractual obligations	2,209,925	685,468	1,134,635	389,822	-

Demand Loans and Related Party Transactions

During fiscal 2011, the Company entered into a demand loan agreement with Dr. Ragupathy Madiyalakan, CEO and a director of the Company, to provide up to $1,000,000 in 8% annual interest bearing demand loan financing to be used for the Company's operating expenditures. This financing is unsecured, with principal repayment to be made 30 days after demand, interest payable monthly. The principal is to be repaid upon the Company receiving sufficient future licensing fees, equity financing or other revenues. To date, the Company owes $680,000 on this financing through a wholly-owned company of Dr. Madiyalakan.

During April and May, 2011, the Company received demand loan financing of $100,000 from Mr. Ian McConnan, an independent director of the Company. This demand loan financing bears interest at 8% per annum, interest payable monthly and is unsecured with principal repayment to be made 30 days after demand.

As at January 31, 2013, the Company had demand loan financing of $90,000 from Mr. Thomas Woo, an officer of the Company. This financing is unsecured, with principal repayment to be made 30 days after demand, and with 8% annual interest payable monthly.

In May, 2012, the Company received a $500,000 interest free loan from Mr. Gi Ho Park, an insider of the company. This loan is to be repaid as funding under the $8,000,000 investment agreement is received.

Accounting Standards and Amendments Issued But Not Yet Adopted

The listing below includes standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. Unless otherwise noted, the effective date of each standard below is the first annual period beginning on or after January 1, 2013, with retrospective application required and early adoption permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

Financial Instruments
In November 2009, the IASB issued IFRS 9, "Financial Instruments" (IFRS 9), as part of the first of three phases to replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). The first phase addressed the classification and measurement of financial assets. IFRS 9 replaces the multiple classification and measurement models of IAS 39 with a single model that has only two classification categories: amortized cost and fair value.

In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities and for classification and measurement of financial liabilities. The reissued IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, instead of in profit and loss.

In December 2011, the IASB issued amendments to IFRS 9 (the amendments). The amendments result in a deferred effective date for IFRS 9, from annual periods beginning on or after January 1, 2013 to January 1, 2015, with early adoption still permitted. This deferral makes it possible for all phases of the replacement of IAS 39 to have the same mandatory effective date. The amendments provide relief in restating prior periods, requiring instead that entities provide disclosures to allow financial statement users to understand the initial impact of applying IFRS 9.

Financial Instruments: Presentation
In December 2011, the IASB issued amendments to IAS 32, "Financial Instruments: Presentation" (the amendments). The amendments clarify when an entity has a legally enforceable right to set-off, as well as clarifying the application of offsetting criteria related to some settlement systems that may be considered the same as net settlement. The amendments to IAS 32 are applicable for annual periods beginning on or after January 1, 2014.

Financial Instruments: Disclosures
In October 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures" (the amendments). The amendments require additional qualitative and quantitative disclosure associated with the transfers of financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Early adoption is permitted. The new disclosure requirements are required to be applied prospectively. The adoption of the amendments is not expected to have a material impact on our consolidated financial statements.

In December 2011, the IASB issued further amendments to IFRS 7 related to the disclosures of offsetting financial assets and financial liabilities. These amendments require disclosure of information that will allow financial statement users to assess the impact of an entity's netting arrangements, including rights of set-off associated with an entity's recognized financial assets and liabilities, on the entity's statement of financial position.

Consolidated Financial Statements
In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" (IFRS 10), which replaces Standing Interpretations Committee (SIC)-12, "Consolidation—Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial statements." The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.

Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" (IFRS 12). IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates, and structured entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously included in IAS 27, IAS 28, IAS 31, and SIC-12 while others are new. IFRS 12 requires that an entity discloses the significant judgment and assumptions it has made in determining whether it controls an entity.

Fair Value Measurement
In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" (IFRS 13). IFRS 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted by other standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 requires enhanced disclosure for fair value. IFRS 13 is applied prospectively for annual periods beginning on or after January 1, 2013, and comparative disclosures for prior periods are not required.

Presentation of Financial Statements
In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" (IAS 1), to improve the consistency and clarity of items presented in Other Comprehensive Income (OCI). The amendments require that items presented in OCI be grouped into two categories: items that may be reclassified into profit or loss at a future date, and items that will never be reclassified into profit or loss. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

Employee Benefits
In June 2011, the IASB issued amendments to IAS 19 "Employee Benefits" (the amendments). Among other changes, the amendments impact the timing of the recognition of termination benefits. The revised standard requires termination benefits outside of a wider restructuring to be recognized only when the offer becomes legally binding and cannot be withdrawn. In the context of a wider restructuring, termination benefits are recognized at the same time as other restructuring costs.

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 Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control 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. It is not possible at this time to predict the outcome of these matters.

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 dependant 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.