



Quest PharmaTech Inc.

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

For the three months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise noted)

Quest PharmaTech Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2024 and 2023

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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
June 28, 2024

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 28, 2024

Quest PharmaTech Inc.
Condensed Interim Consolidated Statements of Financial Position
As at April 30, 2024 and January 31, 2024
Expressed in Canadian Dollars

	Note	April 30, 2024	January 31, 2024
		\$	\$
ASSETS			
Current assets			
Cash		505,975	716,963
Other receivable		100,000	100,000
Prepaid expenses		11,623	18,567
Total current assets		617,598	835,530
Non-current assets			
Prepaid expenses		5,855	5,855
Investment in OncoQuest	5	5,372,603	6,137,735
Investment in OQP Bio Bonds	5	17,438,782	17,496,677
Total non-current assets		22,817,240	23,640,267
Total assets		23,434,838	24,475,797
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities		152,699	322,777
Short term loan	8	1,000,000	1,000,000
Total liabilities		1,152,699	1,322,777
SHAREHOLDERS' EQUITY			
Common shares	6	30,741,316	30,741,316
Contributed surplus	7	11,604,581	11,604,581
Accumulated deficit		(19,943,539)	(19,082,213)
Accumulated other comprehensive loss		(120,219)	(110,664)
Total shareholders' equity		22,282,139	23,153,020
Total liabilities and shareholders' equity		23,434,838	24,475,797

Going concern (Note 1)

Subsequent events (Note 13)

Approved on behalf of the Board of Directors on June 28, 2024.

“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, 2024 and 2023
Expressed in Canadian Dollars except for number of shares

	Note	April 30, 2024	April 30, 2023
		\$	\$
Expenses			
General and administrative		50,633	123,855
Research and development		64,539	73,870
Total expenses		115,172	197,725
Operating loss		(115,172)	(197,725)
Other income (expenses)			
Equity (loss) income - OncoQuest	5	(755,576)	63,079
Cost recovery	8	75,000	20,000
Other income		—	13,900
Foreign exchange loss		(1,625)	(1,825)
Finance expenses		(6,058)	(4,356)
Fair value adjustment in investment in OQP Bio Bonds	5	(57,895)	—
Total other (expenses) income		(746,154)	90,798
Loss before income tax		(861,326)	(106,927)
Income tax recovery (expense)		—	—
Net loss		(861,326)	(106,927)
Other comprehensive (expense) income		(9,555)	9
Net and comprehensive loss		(870,881)	(106,918)
Loss per share – basic and diluted	11	(0.0051)	(0.0006)
Weighted average number of common shares outstanding – basic and diluted	11	169,129,247	169,129,247

Quest PharmaTech Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended April 30, 2024 and 2023
Expressed in Canadian Dollars

	Common shares	Contributed Surplus	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Total shareholders' equity
	\$	\$	\$	\$	\$
Balance – January 31, 2023	30,741,316	11,133,047	(16,064,206)	(114,490)	25,695,667
Other comprehensive income	—	—	—	9	9
Net loss	—	—	(106,927)	—	(106,927)
Balance – April 30, 2023	30,741,316	11,133,047	(16,171,133)	(114,481)	25,588,749
Balance – January 31, 2024	30,741,316	11,604,581	(19,082,213)	(110,664)	23,153,020
Other comprehensive loss	—	—	—	(9,555)	(9,555)
Net loss	—	—	(861,326)	—	(861,326)
Balance – April 30, 2024	30,741,316	11,604,581	(19,943,539)	(120,219)	22,282,139

Quest PharmaTech Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the Three Months Ended April 30, 2024 and 2023
Expressed in Canadian Dollars

	April 30, 2024	April 30, 2023
	\$	\$
OPERATING ACTIVITIES		
Net loss	(861,326)	(106,927)
<i>Non-cash items:</i>		
Fair value adjustment in investment in OQP Bio Bonds	57,895	—
Amortization	—	429
Equity loss (income) - OncoQuest	755,576	(63,079)
<i>Changes in non-cash working capital items:</i>		
Other receivable	—	1,987
Prepaid expenses	6,944	(5,890)
Accounts payables and accrued liabilities	(170,077)	90,957
Net cash used in operating activities	(210,988)	(82,523)
INVESTING ACTIVITIES		
Purchase of property and equipment	—	(1,485)
Net cash used in investing activities	—	(1,485)
FINANCING ACTIVITIES		
Repayment of short term loan	—	(200,000)
Net cash used in financing activities	—	(200,000)
Change in cash	(210,988)	(284,008)
Cash, beginning of period	716,963	374,658
Cash, end of period	505,975	90,650
Supplementary cash flow information		
Cash paid for taxes	—	—
Cash paid for interest	—	—
Cash received for interest	—	—

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Quest PharmaTech 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 the University of Nebraska Medical Center.

The Company’s head office is located at 4342-97 street NW, Edmonton, Alberta, Canada, T6E 5R9 and it is incorporated under the Business Corporations Act (Alberta). The Company is publicly traded on the TSX Venture Exchange under the symbol “QPT.”

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 titles 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, 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) (“OQP Bio”), a private Korean company. In January 2022, OncoQuest issued an in-kind dividend of OQP Bio bonds to its shareholders, including to Quest.

During the previous year ended January 31, 2024, the Company entered into a non-binding agreement in principle with OQP Bio Inc. (the “Agreement in Principle”), to exchange the Company’s OQP Bio bonds for 77.5 billion KRW (Cdn\$83,855,000) in cash and 64.6 billion KRW (Cdn\$69,897,200) in bonds of Canaria Bio M (K-OTC – 118970) (“CABM”). The CABM bonds, if issued, are contemplated to carry a feature that would permit the Company to convert its CABM bonds into 20.5 million CABM shares and following a business restructuring, the CABM shares are contemplated to be converted into 2.51 million shares of Canaria Bio (“CAB”), a KOSDAQ traded company (KOSDAQ trading symbol – 016790). The Agreement in Principle is indicative and non-binding. The Company’s receipt of cash for a portion of its OQP Bio bonds was to be provided by third-party purchasers to be arranged by OQP Bio, none of which have been identified to date. The Company has not entered into a binding definitive agreement with OQP Bio regarding the proposed transactions contemplated by the Agreement in Principle nor received any cash payments under the Agreement in Principle with OQP Bio. A binding definitive agreement had not been entered into by the deadline specified in the Agreement in Principle (May 19, 2023) nor had one been entered into during the current year. The terms and conditions of the Agreement in Principle are indicative and subject to change. There can be no assurance that a definitive agreement will be entered into, and even if entered into, the Company will be subject to significant performance risk of the counterparties, liquidity risk and price volatility risk for any securities received. Until a buyer is identified, none of the cash payments contemplated under the Agreement in Principle will be received.

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

Conversion of the remaining bonds into shares of CAB is dependent on further restructuring of OQP Bio, CABM and CAB, none of which has occurred to date nor have any legal commitments to effect such restructurings been entered into. The OQP Bio bonds represent an illiquid investment and there can be no assurance that the Company will be able to find a buyer for or be able to monetize all or any part of its OQP Bio bonds.

In April 2024, the Company changed the valuation methodology used to support the value the Company's OQP Bio bonds as at January 31, 2023. Originally, the bonds were valued based on the fair value of the cash and shares of Canaria Bio expected to be received under the transactions contemplated by the Agreement in Principle. Under the new valuation methodology, the Company engaged an independent valuator to prepare a valuation report that provides a fair value of the OQP Bio bonds as at January 31, 2023 based on customary valuation metrics for financial instruments. The change in the valuation methodology resulted in a significant decrease in the carry values of the OQP Bonds as at January 31, 2023 and related significant additional impairment charge. The Company adopted the same revised valuation methodology to estimate the fair value of the OQP Bio bonds as at April 30, 2024. Refer Note 7.

In September 2023, the Company announced a change of management of CABM with the parties continuing to negotiate in good faith to convert all of the Company's OQP Bio bonds to CABM bonds.

Going Concern

The Company's condensed interim 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 \$861,326 for the three months ended April 30, 2024 (2023 Net Loss - \$106,927) and a shareholders' equity of \$22,282,139 (April 30, 2023 – shareholders' equity of \$23,153,020), the Company has consolidated cash reserves of \$505,975 at April 30, 2024 (January 31, 2024 - \$716,963) and as at April 30, 2024 had a working capital deficiency of \$535,101 (January 31, 2024 – working capital deficiency \$487,247).

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. The immunotherapy assets of OncoQuest sold to OQP Korea in 2020 under the ATA and subsequently transferred to OQP Bio in 2021 in connection with a reorganization of OQP Korea, were further transferred by OQP Bio without the bond obligations being transferred to or assumed by the buyer and no longer form part of the assets of OQP Bio backing the OQP Bio bonds. This puts the Company at significant risk given that OQP Bio now has diminished assets from which to repay the bonds. Further, the Company's basis for attributing value to the OQP Bio bonds is significantly dependent on the issuance of publicly traded securities in exchange for the bonds. Accordingly, there is a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

During the previous year ended January 31, 2024, the Company entered into a non-binding agreement 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, however, a definitive agreement was never executed, and no cash payments have been received. The Company holds an interest in OQP Bio bonds and has not been able to monetize its OQP Bio bonds to date.

Accordingly, a material uncertainty may cast significant doubt regarding the Company's ability to continue as a going concern.

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

The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to raise additional capital to successfully complete its research and development programs, commercialize its technologies, conduct clinical trials and receive regulatory approvals for its products, and upon the ability and timing for the Company to monetize its OQP Bio bonds. It is not possible at this time to predict the outcome of these matters. The Company's condensed interim consolidated financial statements do not reflect any adjustments to the classifications and carrying values of assets and liabilities, or to the amounts reported as earnings per share, that may be required should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. The Company intends to address this uncertainty through new share or debt issuances, licensing arrangements and/or strategic partnerships.

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

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, 2024, and 2023, 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 28, 2024.

b) Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value as described in the material accounting policies. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

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

c) Basis of consolidation

The condensed interim consolidated financial statements comprise of the parent company, Quest PharmaTech Inc., and its subsidiaries, Madenco BioSciences Inc. and Sonolight Pharmaceuticals Corp., being its wholly owned and controlled subsidiaries incorporated in Canada as at April 30, 2024. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date such control ceases.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

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 9.

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, 2024.

New and Amended Accounting Pronouncement

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 consolidated financial statements or the annual period beginning January 1, 2024. The Company assessed the impact of the amendment and determined there to be no material impact on the condensed interim consolidated financial statements.

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 consolidated financial statements for the annual period beginning January 1, 2024. The Company assessed the impact of the amendment and determined there to be no material impact on the condensed interim consolidated financial statements.

NOTE 5 – 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
	\$
Balance – January 31, 2024	6,137,735
Equity method loss	(755,577)
Other comprehensive expense – foreign exchange	(9,555)
Balance – April 30, 2024	5,372,603

Quest PharmaTech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended April 30, 2024 and 2023
Expressed in Canadian Dollars except otherwise noted

NOTE 5 – INVESTMENT IN ONCOQUEST INC. AND OQP BIO BONDS

Investment in OncoQuest (continued...)

As of April 30, 2024, the Company has a 42.52% ownership interest in OncoQuest.

OncoQuest summarized financial information:

	April 30, 2024	January 31, 2024
	USD	USD
Current assets	615,694	1,398,864
Non-current assets	10,803,004	11,262,579
Current liabilities	11,926,224	2,753,291
Non-current liabilities	—	—

	April 30, 2024
	USD
Revenue	—
Cost of goods sold	—
Gross Profit	—
Expenses	143,141
Other expenses	1,165,968
Income (loss) before tax	(1,309,109)
Other comprehensive income / (loss)	(1,309,109)

Investment in OQP Bio Bonds

OQP Bio Bonds received as a dividend:

	Face value	Fair value	Fair value	Maturity date
	KRW	KRW	\$	\$
OQP Bio Bond # 10	20,415,802,314	134,815,795	134,236	February 6, 2050
OQP Bio Bond # 12/13	19,406,110,515	125,653,789	125,113	March 20, 2050
OQP Bio Corporate Bond	89,268,108,367	17,253,623,240	17,179,433	February 24, 2022
Balance – April 30, 2024	129,090,021,196	17,514,092,824	17,438,782	

NOTE 5 – INVESTMENT IN ONCOQUEST INC. AND OQP BIO BONDS (continued)

During the previous year ended January 31, 2024, the Company entered into a non-binding agreement in principle with OQP Bio Inc. (the “Agreement in Principle”), 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 CABM bonds, if issued, are contemplated to carry a feature that would permit the Company to convert its CABM bonds into 20.5 million CABM shares and following a business restructuring, the CABM shares are contemplated to be converted into 2.51 million shares of Canaria Bio (“CAB”), a KOSDAQ traded company (KOSDAQ trading symbol – 016790). The Agreement in Principle is indicative and non-binding. The Company’s receipt of cash for a portion of its OQP Bio bonds was to be provided by third-party purchasers to be arranged by OQP Bio, none of which have been identified to date. The Company has not entered into a binding definitive agreement with OQP Bio regarding the proposed transactions contemplated by the Agreement in Principle nor received any cash payments under the Agreement in Principle with OQP Bio. A binding definitive agreement had not been entered into by the deadline specified in the Agreement in Principle (May 19, 2023) nor had one been entered into during the current year. The terms and conditions of the Agreement in Principle are indicative and subject to change. There can be no assurance that a definitive agreement will be entered into, and even if entered into, the Company will be subject to significant performance risk of the counterparties, liquidity risk and price volatility risk for any securities received. Until a buyer is identified, none of the cash payments contemplated under the Agreement in Principle will be received.

Conversion of the remaining bonds into shares of CAB is dependent on further restructuring of OQP Bio, CABM and CAB, none of which has occurred to date nor have any legal commitments to effect such restructurings been entered into. The OQP Bio bonds represent an illiquid investment and there can be no assurance that the Company will be able to find a buyer for or be able to monetize all or any part of its OQP Bio bonds.

The estimated fair value of the OQP Bio Bonds was determined to be \$17.438 million at April 30, 2024 (\$17.496 million at January 31, 2024), with the Company recording a fair value loss of \$57,895 for the three months ended April 30, 2024 (2023: \$nil). As of April 30, 2024, and January 31, 2024, the bonds are classified as long-term due to the timing of receipt of the bond consideration.

Bond Valuation Methodology

The Company’s independent valuator utilized the probability-weighted average return model (“PWERM”) approach to calculate the fair value of the OQP Bio bonds, calculating the expected future cash flows from the convertible bonds and corporate bonds comprising the OQP Bio bonds, and discounting them at an appropriate rate to reflect the probability of different outcomes. This method involves a forward-looking analysis of the potential future outcomes; it also estimates the ranges of future and present value under each outcome and applies a probability factor to each outcome as of the valuation date. Each scenario is evaluated with a corresponding percentage to represent the probability of its occurrence. These probabilities are estimated to the best of management’s ability, taking into account the data, information, and circumstances available as of the valuation date.

Bond Valuation Assumptions

In valuing the convertible bonds comprising part of the OQP Bio bonds, the valuator assumed that the bonds will be held until maturity in 2050 and the Company will receive the principal payments at that time. The fair value of the debt component of such bonds was calculated based on an assumed market rate of interest for similar instruments estimated at 21.4% based on market data, the fact that the issuer of the bonds is not revenue generating and the current default status of the corporate bond comprising part of the OQP Bio bonds.

Quest PharmaTech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended April 30, 2024 and 2023
Expressed in Canadian Dollars except otherwise noted

NOTE 5 – INVESTMENT IN ONCOQUEST INC. AND OQP BIO BONDS (continued)

Bond Valuation Assumptions (continued)

In valuing the fair value of the conversion feature of the convertible bonds, the valuator used a Black-Scholes option pricing model, using the following assumptions:

	April 30, 2024
Price of issuer's shares	KRW 2.10
Time to maturity (years)	26.13 & 26.24
Expected volatility	126.80%
Risk free interest rate	3.31%
Discount rate	21.40%

In valuing the (non-convertible) corporate bond, three scenarios for realization were assumed each with the probability of occurrence assigned to them: Scenario 1: Restructuring of bond (20% probability assigned); Scenario 2: Legal proceeding and Recovery (40% probability assigned); and Scenario 3: Default and no recovery (40% probability assigned). For Scenario 1; it was assumed that the bond would be restructured as a 10-year corporate bond with the same accrued interest and principal payable at maturity. For Scenario 2; a 40% recovery rate was assumed. For Scenarios 1 and 2, an assumed market rate of interest of 21.4% was used in the fair value calculations.

Other input variables (including market interest rates and risk-free interest rates) have significant impact on the estimated fair value of the OQP Bio bonds. While the above analysis includes factors that are quantifiable in nature, the valuation of the OQP Bio bonds is also influenced by changes in unobservable inputs. For instance, systemic market risks have a direct impact on valuation of financial assets. Geopolitical risks such as potential aggression or a flare up in tensions from North Korea towards South Korea may have adverse impacts in the valuation of financial assets such as OQP Bio bonds. Other idiosyncratic entity risks that encompass and not limited to company specific events, management decisions, industry specific factors and/or regulatory changes and drug marketing approval decisions have a direct bearing on the valuation of OQP Bio Bonds.

NOTE 6 – SHARE CAPITAL

Authorized:

- Unlimited number of common shares without nominal or par value
- Unlimited number of first preferred shares
- Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

Issued:

	Number of Shares	Amount
	#	\$
Balance – January 31, 2024 and April 30, 2024	169,129,247	30,741,316

Quest PharmaTech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended April 30, 2024 and 2023
Expressed in Canadian Dollars except otherwise noted

NOTE 7 – 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
	#	\$
Balance – January 31, 2024 and April 30, 2024	19,705,000	0.14

Stock options outstanding and exercisable as at April 30, 2024 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	0.49	0.08	1,550,000	0.08
0.09	1,400,000	0.35	0.09	1,400,000	0.09
0.10	7,150,000	0.95	0.10	7,150,000	0.10
0.12	2,050,000	0.51	0.12	2,050,000	0.12
0.15	3,025,000	0.25	0.15	3,025,000	0.15
0.18	1,250,000	0.07	0.18	1,250,000	0.18
0.23	1,720,000	0.36	0.23	1,720,000	0.23
0.25	1,560,000	0.13	0.25	1,560,000	0.25
	19,705,000	0.55	0.14	19,705,000	0.14

Stock options outstanding and exercisable as at January 31, 2024 are as follows:

Exercise Prices	Number of Options Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable
\$	#	Years	\$	#
0.08	1,550,000	0.74	0.08	1,550,000
0.09	1,400,000	0.60	0.09	1,400,000
0.10	7,150,000	1.20	0.10	7,150,000
0.12	2,050,000	0.76	0.12	2,050,000
0.15	3,025,000	0.50	0.15	3,025,000
0.18	1,250,000	0.32	0.18	1,250,000
0.23	1,720,000	0.61	0.23	1,720,000
0.25	1,560,000	0.38	0.25	1,560,000
	19,705,000	0.80	0.14	19,705,000

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NOTE 8 – 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 recorded under general and administration expenses in the statements of loss and comprehensive loss, is as follows:

	April 30, 2024	April 30, 2023
	\$	\$
Management fees	50,211	89,470
Total compensation	50,211	89,470

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, which increased to \$15,000 per month effective July 1, 2023. The Company received \$149,500 in advance payments under the arrangement for the fiscal year 2025. These advances are included in accounts payables and accrued liabilities.

Short term loan

Effective during the year ended January 31, 2021, the Company entered in a loan agreement with OncoQuest Inc for a short term, unsecured, 2% interest bearing debt, with no fixed term of repayment and repayable on demand. The funding is for drug development and operational purposes. The Company recorded interest expense of \$6,058 for the three months ended April 30, 2024 (2023 - \$3,858) recorded under finance expenses in the statement of loss and comprehensive loss. 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
	\$	\$
Balance – January 31, 2024	1,000,000	44,045
Interest expense	–	6,058
Balance – April 30, 2024	1,000,000	50,103

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NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are mainly comprised of cash, other receivable, investment in OQP Bio bonds, accounts payable and accrued liabilities and short-term loan.

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:

Financial assets			April 30, 2024	January 31, 2024
			\$	\$
Cash	FVTPL	Level 1	505,975	716,963
Other receivable	Amortized cost		100,000	100,000
Investment in OncoQuest	FVTPL	Level 3	5,372,603	6,137,735
Investment in OQP Bio Bonds	FVTPL	Level 3	17,438,782	17,496,677
			23,417,360	24,451,375

Financial liabilities			April 30, 2024	January 31, 2024
			\$	\$
Accounts payable and accrued liabilities	Amortized cost		227,699	322,777
Short term loan	Amortized cost		1,000,000	1,000,000
			1,227,699	1,322,777

Investment valuations are affected by various factors including financial position, results from operations and foreseeable future cash flows from operations of investees. Investees have a 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.

NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values (continued)

Fair value of OQP Bio bonds

In valuing the convertible bonds comprising part of the OQP Bio bonds, the valuator assumed that the bonds will be held until maturity in 2050 and the Company will receive the principal payments at that time. The fair value of the debt component of such bonds was calculated based on an assumed market rate of interest for similar instruments estimated at 21.4% based on market data, the fact that the issuer of the bonds is not revenue generating and the current default status of the corporate bond comprising part of the OQP Bio bonds. In valuing the fair value of the conversion feature of the convertible bonds, the valuator used a Black-Scholes option pricing model, using the following assumptions:

	April 30, 2024
Price of issuer's shares	KRW 2.10
Time to maturity (years)	26.13 & 26.24
Expected volatility	126.80%
Risk free interest rate	3.31%
Discount rate	21.40%

In valuing the (non-convertible) corporate bond, three scenarios for realization were assumed each with the probability of occurrence assigned to them: Scenario 1: Restructuring of bond (20% probability assigned); Scenario 2: Legal proceeding and Recovery (40% probability assigned); and Scenario 3: Default and no recovery (40% probability assigned). For Scenario 1; it was assumed that the bond would be restructures as a 10-year corporate bond with the same accrued interest and principal payable at maturity. For Scenario 2; a 40% recovery rate was assumed. For Scenarios 1 and 2, an assumed market rate of interest of 21.4% was used in the fair value calculations.

As a result, the estimated fair value of the OQP Bio Bonds was determined to be \$17.438 million at April 30, 2024 (\$17.496 million at January 31, 2024), with the Company recording a fair value loss of \$57,895 for the three months ended April 30, 2024 (2023: \$nil). As of April 30, 2024, and January 31, 2024, the bonds are classified as long-term due to the timing of receipt of the bond consideration.

A sensitivity analysis on the estimated fair value of the OQP Bio bonds at April 30, 2024 and January 31, 2024 provided a range as noted below: The base case valuation is \$17,438,782.

Scenario 1 (Restructuring)	Probability of		Estimated fair value \$
	Scenario 2 (Legal Proceedings and Recovery)	Scenario 3 (Default and no recovery)	
10%	45%	45%	17,737,491
15%	42.50%	42.50%	17,588,137
20%	40%	40%	17,438,782
25%	37.50%	37.50%	17,289,428
30%	35%	35%	17,140,073
35%	32.50%	32.50%	16,990,718
40%	30%	30%	16,841,364
45%	27.50%	27.50%	15,952,521

NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values (continued)

A sensitivity analysis of recovery rate to determine the estimated fair value of the OQP Bio bonds for the base case of a 20 % probability of Scenario 1 (restructuring), a 40% probability of Scenario 2 (Legal Proceedings and Recovery) and 40% probability of Scenario 3 (Default and no recovery) are noted below:

The base case valuation of the OQP Bio Bonds is \$17,438,782.

Recovery Rate %	Scenario 1 (Restructuring)	Scenario 2 (Legal Proceedings and Recovery)	Scenario 3 (Default and no recovery)	Estimated fair value (\$)
30%	3,143,205	11,766,799	–	13,883,412
35%	3,143,205	13,727,933	–	15,661,097
40%	3,143,205	15,689,066	–	17,438,782
45%	3,143,205	17,650,199	–	19,216,467
50%	3,143,205	19,611,332	–	20,994,152
55%	3,143,205	21,572,465	–	22,771,838
60%	3,143,205	23,533,599	–	24,549,523
65%	3,143,205	25,494,732	–	26,327,208
70%	3,143,205	27,455,865	–	28,104,893

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.

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 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

Financial instruments that subject the Company to credit risk consist primarily of other receivables and the OQP Bio bonds. The Company's exposure to credit risk, including for other receivable amounts, is considered to be significant which is assessed through an expected credit loss model ("ECL"). The Company's estimate of allowances is based on an ECL approach that employs an analysis of historical data, economic indicators and experience of delinquency and default. The Company has applied an ECL of 50% to the other receivable.

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:

April 30, 2024	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	227,699	227,699	227,699	—	—
Short term loan	1,000,000	1,000,000	1,000,000	—	—
Total	1,227,699	1,227,699	1,227,699	—	—

January 31, 2024	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	322,777	322,777	322,777	—	—
Short term loan	1,000,000	1,000,000	1,000,000	—	—
Total	1,322,777	1,322,777	1,322,777	—	—

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.

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NOTE 9 – 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:

	April 30, 2024	January 31, 2024
	\$	\$
Cash	4,379	682
Investments in OQP Bio bonds	17,438,782	17,496,677
Net monetary assets	17,443,161	17,497,359

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 \$219 during the three months ended April 30, 2024 (January 31, 2024 - \$34).

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 \$871,939 during the three months ended April 30, 2024 (January 31, 2024 - \$874,834).

NOTE 10 – 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 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, 2024.

NOTE 11 – 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.

	April 30, 2024	April 30, 2023
	#	#
Weighted average share	169,129,247	169,129,247
	\$	\$
Net loss	(861,326)	(106,927)
Basic and diluted loss per share	(0.0051)	(0.0006)

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NOTE 12 – INVESTMENT IN ONCOVENT CO., LTD.

As part of the preferred share agreement, on March 4, 2016, the Company’s former subsidiary, OncoQuest, signed a joint venture contract with Shenzhen Hepalink. The agreement results in the creation of a new company in China called OncoVent Co., Ltd. (“OncoVent”), to focus on the research and development of Cancer Immunotherapy Products for the Chinese market. Under the agreement, OncoQuest licensed the greater China rights to the Immunotherapy Technologies and provided US\$1,000,000 for 46% of the shares of OncoVent. Shenzhen Hepalink contributed US\$5,000,000 for 54% of the shares of OncoVent. As part of the agreement, OncoQuest transferred a portion of its shares in OncoVent to Quest and to another party such that Quest owns 11% and the other party owns 6%, respectively, of the shares of OncoVent. Management believes the creation of OncoVent will provide additional resources for product development that OncoQuest can access to accelerate its worldwide product registration strategy. OncoVent will focus on the development, manufacturing and commercialization of Cancer Immunotherapy Products within China with pancreatic cancer as its first target. On October 31, 2016, Shenzhen Hepalink contributed US\$5,000,000 to OncoVent. On November 1, 2016, OncoQuest contributed \$1,337,900 (US\$1,000,000) to OncoVent. For financial statement purposes, the Company accounts for its investment in this affiliated entity under the equity method. OncoVent began operations in November 2016.

	April 30, 2024	January 31, 2024
Investment in OncoVent Co., Ltd.	\$	\$
Opening balance	–	–
Equity method share of loss for the year	–	–
Closing balance	–	–

NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 28, 2024, which is the date the condensed interim consolidated financial statements were issued and has determined that there are no events to report.