

Aurquest Resources Inc.

Managements' discussion and analysis of financial statements

Report as of December 14, 2017

Management Discussion and Analysis contains certain forward-looking statements and information relating to Aurquest Resources Inc. ("Aurquest" or "Company") which is based on the beliefs of Management as well as assumptions made by and information currently available to Aurquest. These statements, which can be identified by the use of forward-looking terminology such as "anticipates," "believes," "estimates," "expects," "may," "will," "should" or the negative thereof or other variations thereon and similar expressions, as they relate to Aurquest or its management, are intended to identify forward-looking statements.

The forward-looking statements relate to, among other things, regulatory compliance and, the sufficiency of current working capital. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Aurquest to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

The Company disclaims any obligation to update or revise any forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Managements' Discussion and Analysis of the financial condition, results of operation and cash flows for the years ended October 31, 2017 and 2016 should be read in conjunction with the audited annual financial statements and accompanying notes for the same year.

The audited annual financial statements of Aurquest were approved for issuance by the Board of Directors on December 14, 2017. The annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

All dollar amounts refer to Canadian dollars except otherwise stated. Additional information relating to Aurquest is available on the SEDAR web site at www.sedar.com.

Description of the business

For the years ended October 31, 2017 and 2016, the Company had no business. The Company has been able to discharge its liabilities by securing cash advances from individuals who are major shareholders. The Company had been dependent on a continuation of these advances in order to continue in business.

Subsequent to the year end, the Company has signed a definitive agreement ("Definitive Agreement") with Xanthic Biopharma Limited ("Xanthic"), and the shareholders of Xanthic (the "Xanthic Shareholders").

Pursuant to the Definitive Agreement, the Company will acquire all of the issued and outstanding common shares of Xanthic ("Xanthic Shares") from the Xanthic Shareholders. As of the date of

closing, it is anticipated there will be 37,252,000 issued and outstanding Xanthic Shares. In exchange for the Xanthic Shares, the Company will issue a total of 298,016,000 Aurquest common shares (“Aurquest Shares”) at a ratio of eight (8) Aurquest Shares for each one (1) Xanthic Share at a deemed price of \$0.01563 per Aurquest Share, resulting in a reverse take-over of the Company as the former shareholders of Xanthic will control approximately 85.22% of the Company (the “Transaction”).

The Company currently has 51,668,184 shares outstanding. The Transaction will result in the Company having approximately 349,684,184 common shares. On closing of the Transaction, the current Aurquest shareholders will own 51,668,184 shares (14.78%), the existing Xanthic shareholders will hold 216,000,000 Aurquest shares (61.77%) and the purchasers in the Xanthic Private Placement will hold 82,016,000 Aurquest shares (23.45%).

Upon completion of the Transaction, it is anticipated that Aurquest’s current management and board of directors will resign and that representatives of Xanthic with the requisite experience to manage the Corporation in connection with the completion of the Transaction will be appointed.

Xanthic is a private Ontario company, which produces high quality, innovative, non-combustible cannabis, and cannabis-infused product which deliver consistent THC and/or CBD levels. Using a proprietary process, Xanthic is able to deliver superior solubility and consistency versus competitive infused products.

Overview

For the years ended October 31, 2017 and 2016, the Company had no revenues.

Results of Operations - year ended October 31, 2017 compared to the year ended October 31, 2016

Administration expenses in the year totaled \$9,181 (2016 - \$8,551). The difference is attributable to changes in audit, accounting, banking, and filing fees. Interest on related party loans totaled \$15,508 (2016 - \$12,714). These interest expenses change due to the increases in loan advances.

Summary of Quarterly Results

Canadian \$ in thousands, except per share amounts	Oct 31 2017	Jul 31 2017	Apr 30 2017	Jan 31 2017	Oct 31 2016	Jul 31 2016	Apr 30 2016	Jan 31 2016
Revenue	-	-	-	-	-	-	-	-
Net income (loss)	(5.4)	(5.2)	(9.5)	(4.6)	(8.0)	(4.3)	(6.0)	(3.0)
Net income (loss) per share	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)
– basic and diluted								
Total Assets	2.6	2.7	2.5	2.5	2.6	2.6	2.6	1.5

Summary of Annual Results

Canadian \$	Year ended October 31, 2017	Year ended October 31, 2016	Year ended October 31, 2015
Net Revenue	-	-	-
Operating Expenses	24,689	21,265	20,153
Net Income (loss)	(24,689)	(21,265)	(20,153)
Net Income (loss) per share – basic and diluted	-	-	-
Total Assets	2,655	2,583	1,512
Long-term debt	-	-	-

Related Party Transactions

The Company is dependent upon cash advances from individuals who are major shareholders to discharge its liabilities. At October 31, 2017 these advances including accrued interest amounted to \$160,771 (Oct. 31, 2016 - \$135,987). The advances are interest bearing at a rate of 10% per annum, unsecured and due on demand. Interest accrued for the year was \$15,508 (2016 – \$12,714). There are no ongoing contractual or other commitments resulting from the loan. The purpose is to finance the administrative and accounting functions of the Company until a business acquisition is completed.

Subsequent to year end, it is anticipated that the shareholder loans will be settled for \$45,000 and the remaining debt will be forgiven by the same shareholders.

Liquidity and Capital Resources

At October 31, 2017 Aurquest had a working capital deficiency in the amount \$197.4 thousand (October 31, 2016 – \$172.7 thousand) and negative cash flow from operations of \$24,712 (October 31, 2016 – \$19,643).

The Company's continued existence has been dependent on the financial support of certain shareholders until the Company can acquire a viable business, and cash generated from operations or share financings.

Subsequent to year end, the continued support of these shareholders will end. The company, as noted previously, has completed a definitive agreement with Xanthic Biopharma Limited resulting in a reverse takeover of the Company. It is anticipated that the Company will require future private placements or debentures in order to provide working capital.

Contingencies

The Company has no contingencies.

Risk and Uncertainties

The shares of the Company are not listed on an exchange.

Capital management and Financial Instruments

The Company defines its capital as the cash in its bank accounts and its advances from shareholders. Presently, the Company is managing capital in a manner to be able to survive until it either is able to raise additional capital or generate cash from a new business.

The Company's financial instruments predominantly consist of cash and advances from shareholders. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. As at October 31, 2017, cash and cash equivalents were \$2,655 (Oct. 31, 2016 - \$2,583).

Accounting standards, policy changes, and critical accounting estimates

Please refer to note two (2) of our audited annual financial statements for the year ended October 31, 2017 for our significant accounting policies and critical accounting estimates.

Outlook

The Company anticipates completing all of the required conditions of closing the agreement with Xanthic on or about December 15, 2017, at which time the Company will provide further information on the transaction.

Outstanding Share Data – as at October 31, 2017 and December 14, 2017

Common shares outstanding: 51,668,184

Options/Warrants Outstanding : Nil

Approval

The Board of Directors and the Audit Committee of the Corporation have approved the disclosure contained in this MD & A. A copy of this MD & A will be provided to anyone who requests it.

AURQUEST RESOURCES INC.

FINANCIAL STATEMENTS

OCTOBER 31, 2017 AND 2016

AUDITORS' REPORT

To the Shareholders of Aurquest Resources Inc.:

We have audited the accompanying financial statements of Aurquest Resources Inc. which comprise the statements of financial position as at October 31, 2017 and 2016 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aurquest Resources Inc. as at October 31, 2017 and 2016 and the results of its operations and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which indicates that the Company had a working capital deficit of \$197,440 as at October 31, 2017 and currently has no active business. These conditions, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Markham, Ontario
December 14, 2017



Chartered Accountants
Licensed Public Accountants

AURQUEST RESOURCES INC.

STATEMENTS OF FINANCIAL POSITION

(Expressed in Cdn \$)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current:		
Cash	\$ <u>2,655</u>	\$ <u>2,583</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	39,324	39,347
Advances from shareholders (Note 5)	<u>160,771</u>	<u>135,987</u>
	<u>200,095</u>	<u>175,334</u>
SHAREHOLDERS' DEFICIENCY		
Capital stock (Note 4)	29,066,368	29,066,368
Contributed surplus	137,648	137,648
Deficit	<u>(29,401,456)</u>	<u>(29,376,767)</u>
	<u>(197,440)</u>	<u>(172,751)</u>
	<u>\$ 2,655</u>	<u>\$ 2,583</u>

See description of business, status of operation and going concern - Note 1
Subsequent event - Note 10

Approved on behalf of the Board on December 14, 2017:

"Dominique Monardo"
Dominique Monardo, Director

"Jon Bridgman"
Jon Bridgman, Director

The accompanying notes form an integral part of these financial statements

AURQUEST RESOURCES INC.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED OCTOBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Expenses:		
General and administrative	9,181	8,551
Interest on related party loans <i>(Note 5)</i>	<u>15,508</u>	<u>12,714</u>
	<u>24,689</u>	<u>21,265</u>
Net loss and comprehensive loss	\$ <u>(24,689)</u>	\$ <u>(21,265)</u>
Basic and fully diluted loss per share	<u>\$-</u>	<u>\$-</u>
Weighted average number of shares outstanding - basic and diluted	<u>51,668,184</u>	<u>51,668,184</u>

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED OCTOBER 31, 2017 AND 2016

	Common shares	Contributed	Total Shareholder		
	Number of	\$ Amount	Surplus	Deficit	Equity
Balance - November 1, 2015	51,668,184	\$ 29,066,368	\$ 137,648	\$(29,355,502)	\$ (151,486)
Net loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,265)</u>	<u>(21,265)</u>
Balance, October 31, 2016	51,668,184	29,066,368	137,648	(29,376,767)	(172,751)
Net loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,689)</u>	<u>(24,689)</u>
Balance, October 31, 2017	<u>51,668,184</u>	<u>\$ 29,066,368</u>	<u>\$ 137,648</u>	<u>\$(29,401,456)</u>	<u>\$ (197,440)</u>

The accompanying notes form an integral part of these financial statements

AURQUEST RESOURCES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash was provided by (used in) the following activities:		
Operations:		
Net loss for the year	\$ (24,689)	\$ (21,265)
Add: Item not involving an outlay of cash		
Net change in non-cash working capital items <i>(Note 7)</i>	<u>(23)</u>	<u>1,622</u>
	<u>(24,712)</u>	<u>(19,643)</u>
Financing:		
Advances from shareholders	<u>24,784</u>	<u>20,714</u>
	<u>24,784</u>	<u>20,714</u>
Net change in cash	72	1,071
Cash, beginning of year	<u>2,583</u>	<u>1,512</u>
Cash, end of year	<u>\$ 2,655</u>	<u>\$ 2,583</u>

The accompanying notes form an integral part of these financial statements

AURQUEST RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2017 AND 2016

1. Description of business, status of operations and going concern:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accompanying financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

These financial statements have been prepared under the assumption that the Company is a going concern. This assumption, among other things, contemplates that the Company will be able to realize on its assets and discharge its liabilities in the normal course of operations. At October 31, 2017 the Company has a working capital deficiency in the amount of \$197,440 (2016 - \$172,751). In addition, the Company has incurred a loss in the current year in the amount of \$24,689 (2016 - \$21,265), has generated a negative cash flow from operations in the amount of \$24,712 (2016 - \$19,643) and has no source of operating cash flows. The Company has been able to fund its operating losses through the receipt of interest bearing advances from two shareholders. There can be no assurance that the Company will receive these advances in the future and therefore, there is doubt regarding the Company's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the statement of financial position classifications, which could be material, would be necessary.

These financial statements are presented in Canadian dollars, which is our presentation and functional currency. We have prepared these financial statements using the historical cost basis except for certain financial instruments that have been evaluated at fair value. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

2. Statement of Compliance and significant accounting policies:

The financial statements of the Company as at and for the years ended October 31, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect or available for early adoption as of October 31, 2017.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Presentation Currency

The Company's presentation currency and functional currency is the Canadian dollar ("C\$").

Significant Accounting Judgments and Estimates

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The more significant areas are as follows:

Critical accounting estimates and judgments

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

AURQUEST RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2017 AND 2016

Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category are as follows:

Accounts receivable - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter-party will default.

Fair value through profit or loss - This category includes derivatives, and investments acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income (loss).

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of earnings.

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Fair value hierarchy:

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company has valued all of its financial instruments using Level 1 measurements.

Foreign Currency Translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction.

All gains and losses on translation of these foreign currency transactions are included in the statement of loss and comprehensive loss.

AURQUEST RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2017 AND 2016

Share-based Payments

The Company may grant stock options to buy common shares of the Company to directors, officers and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense with a corresponding increase in equity.

The fair value for share purchase options granted to those providing services is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Income Taxes

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill not deductible for tax purposes; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied

AURQUEST RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2017 AND 2016

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expense ("notional interest").

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

3. New accounting pronouncement not yet adopted:

IFRS 9, Financial Instruments effective for annual periods beginning after January 31, 2018. The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement. The Company is currently assessing the impact, if any, adoption of this standard will have on the financial statements.

4. Capital stock:

(a) Capital stock consists of the following:

	<u>Number of Shares</u>	<u>Amount</u>
Authorized : Unlimited common shares with no par value		
Issued:		
Balance, October 31, 2017 and 2016	<u>51,668,184</u>	<u>\$ 29,066,368</u>

(b) Stock incentive plan:

The Company maintains a Stock Incentive Plan for designated officers, directors consultants and employees. Each stock option entitles the holder to one common share. The Company has no options outstanding at October 31, 2017 and 2016.

5. Related party transactions/balances:

Compensation of key Management and Directors

Key management compensation includes the Chief Executive Officer and Chief Financial Officer. Director fees and share-based payments include the Board of Directors:

	<u>2017</u>	<u>2016</u>
Salaries, fees and short term benefits	\$ -	\$ -
Share-based payments	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

Other related party transactions and balances

As disclosed in Note 1, the Company is dependent upon cash advances from two individuals who are shareholders in order to discharge its liabilities. At October 31, 2017 these advances totaled \$160,771 (2016 - \$135,987). These advances, are interest bearing at a rate of 10% per annum, unsecured and due on demand. Interest charged on these loans totaled \$15,508 (2016 - \$12,714).

AURQUEST RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2017 AND 2016

6. Income taxes:

The Company has non-capital losses carried forward of approximately \$3,132,000 which will expire, if unused, as follows, the potential benefit of these losses has not been recorded in these financial statements:

2026	\$ 884,000
2027	1,046,700
2029	556,000
2030	482,000
2031	26,000
2032	30,200
2033	25,000
2034	16,000
2035	20,000
2036	21,000
2037	<u>25,100</u>
	<u>\$ 3,132,000</u>

In addition, the Company has capital losses of approximately \$5,500,000 which are carried forward indefinitely and be applied against taxable capital gains, if any. These capital losses have not been recognized in these financial statements.

The Company has the following temporary taxable or deductible differences:

	<u>2017</u>	<u>2016</u>
Income tax loss carry-forwards	\$ 783,000	\$ 776,825
Capital assets	7,400	7,400
Less: valuation allowance	<u>(790,400)</u>	<u>(784,225)</u>
	<u>\$ -</u>	<u>\$ -</u>

7. Supplemental cash flow information:

	<u>2017</u>	<u>2016</u>
Net change in non-cash working capital:		
Accounts payable and accrued liabilities	\$ <u>(23)</u>	\$ <u>1,622</u>

8. Financial instruments:

(a) Fair values

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The loans from related parties are carried at cost which approximates fair value.

(b) Liquidity rate risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's continued existence has been financed through the issuance of debt. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. The Company has a working capital deficiency of \$197,440 at October 31, 2017 and has no internal source of cash. Therefore liquidity risk would be considered high.

9. Capital management:

The Company defines its capital as the cash in its bank accounts and its advances from shareholders. Presently, the Company is managing capital in a manner to be able to survive until it either is able to raise additional capital or generate cash from a new business.

AURQUEST RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2017 AND 2016

10. Subsequent event:

Subsequent to year end the Company announced the signing of a definitive agreement (the "Definitive Agreement") between the Company, Xanthic Biopharma Limited ("Xanthic"), and the shareholders of Xanthic (the "Xanthic Shareholders").

Pursuant to the Definitive Agreement, the Company will acquire all of the issued and outstanding common shares of Xanthic (the "Xanthic Shares") from the Xanthic Shareholders. As of the date of closing, it is anticipated there will be 37,252,000 issued and outstanding Xanthic Shares. In exchange for the Xanthic Shares, the Company will issue a total of 298,016,000 Aurquest common shares ("Aurquest Shares") at a ratio of eight (8) Aurquest Shares for each one (1) Xanthic Share (the "Exchange Ratio") at a deemed price of \$0.01563 per Aurquest Share, resulting in a reverse take-over of the Company as the former shareholders of Xanthic will control approximately 85.22% of the Company (the "Transaction").

The Company currently has 51,668,184 shares outstanding. The Transaction will result in the Company having approximately 349,684,184 common shares. On closing of the Transaction, the current Aurquest shareholders will own 51,668,184 shares (14.78%), the existing Xanthic shareholders will hold 216,000,000 Aurquest shares (61.77%), and the purchasers in the Xanthic Private Placement will hold 82,016,000 Aurquest shares (23.45%).

Upon completion of the Transaction, it is anticipated that Aurquest's current management and board of directors will resign and that representatives of Xanthic with the requisite experience to manage the Corporation in connection with the completion of the Transaction will be appointed.

