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 – basic and diluted	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)
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.