AURQUEST RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Aurquest Resources Inc. ("Aurquest" or the "Company" or the "Corporation") was incorporated under Ontario Business Corporations Act. Aurquest was acquired by Xanthic Biopharma Limited in a reverse takeover transaction completed on December 15, 2017. The Company's principal business activity is the licensing of non-combustible medical cannabis products. The Company is in the development stage and has not yet earned any revenues. is focused on developing innovative non-combustible alternative delivery methods of cannabis infused products. Xanthic is a premium cannabinoid brand offering scientifically proven relief through easy, innovative, and contemporary methods. The Corporation's registered office is 77 King St. West Suite 2905, Toronto, Ontario, M5K 1H1.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of February 1, 2018 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's audited financial statements as at and for period ended June 30, 2017 (the "2017 Financial Statements") and the unaudited condensed interim consolidated financial statements as at and for the three and six months ended December 31, 2017 (the "December 2017 Interim Financial Statements"), which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise specified. Tabular dollar amounts, unless otherwise specified, are in dollars, except for per unit or per share amounts.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws, including the "safe harbour provisions" of the Securities Act (Ontario) with respect to the Company. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, the Corporation has made assumptions and applied certain factors regarding, among other things: future product pricing; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and state environmental laws; and the impact of increasing competition. These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks Factors" section of the June 30, 2017 MD&A and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Corporation which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Corporation's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, the Corporation undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

GOING CONCERN ASSUMPTION AND EARLY STAGE CORPORATION

The Corporation was incorporated March 15, 2017 and has less than twelve months of operations. The Corporation's ability to continue as a going concern is dependent upon the ability to raise the necessary capital to finance development the Corporation's business strategy of a premium cannabinoid brand offering scientifically proven relief through easy, innovative, and contemporary non-combustible methods. The December 2017 Interim Financial Statements do not give effect to any adjustments which would be necessary should the Corporation 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 amounts the Corporation may realize on the disposition of its assets or the discharging of its liabilities in other than the normal course of its business may be significantly different than the carrying value of these assets and liabilities as reflected in the December 2017 Interim Financial Statements.

OVERVIEW OF THE CORPORATION

Background

The Corporation which was formed by an amalgamation of Rampart Mercantile Inc. and North American Store Finance Ltd. back in November 1, 2000. Previous to the amalgamation, the Corporation was initially incorporated in province of British Columbia on November 18, 1968, then continued into Ontario on November 24, 1999 prior to amalgamation with North American Store Finance Ltd. on November 1, 2000.

On December 15, 2017 Xanthic Biopharma Limited acquired via a reverse takeover transaction the Corporation. Pursuant to the Definitive Agreement, Aurquest acquired all of the issued and outstanding common shares of Xanthic Biopharma Limited from the Xanthic Shareholders. As of the date of closing, there will be 37,252,000 issued and outstanding Xanthic Shares, inclusive of 10,252,000 Xanthic Shares issued at a price of $0.125 per share pursuant to a non-brokered private placement of Xanthic (the "Xanthic Private Placement") which closed December 13, 2017. In exchange for the Xanthic Shares, Aurquest issued a total of 298,016,000 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 Xanthic by Aurquest (the “RTO Transaction”). Aurquest had 51,688,184 shares outstanding. The RTO Transaction resulted in the Company having approximately 349,704,184 common shares. On closing of the RTO Transaction, the Aurquest shareholders had 51,688,184 shares (14.78%), the existing Xanthic shareholders hold 216,000,000 Aurquest shares (61.77%), and the purchasers in the Xanthic Private Placement hold 82,016,000 Aurquest shares (23.45%).

Corporate Outlook and Strategy

The Corporation is in its infancy, as previously noted, however the Corporations business strategy is to be a premium cannabinoid brand offering scientifically proven relief through easy, innovative, and contemporary non-combustible methods.

The Corporation’s strategy will be focus initially in certain states in the United States where cannabis has been legalized for recreational use. The Corporation will partner with local licensed cannabis producers in each state in order to expedite its roll out and minimize capital needs.

The Corporation product offering will initially include cannabis infused powder beverage additive such as a fruit drink, a rescue drink, an energy drink, hot chocolate and a protein drink with first production planned in first calendar quarter of 2018.

Overall Financial Performance

As previously discussed the Corporation incorporated March 15, 2017 and has no revenue from operations. Below is a summary of the Corporation financial performance for the three and six months ended December 31, 2017. Included in the three and six months results from operations are listing fees of $944,054.

For period ending December 31, 2017	Three months ended	Six months ended
Revenue	$ -	$ -
Net Loss and Comprehensive Loss	1,328,678	1,404,864
Net Loss per share	$ 0.01	$ 0.01

RTO Transaction

On December 15, 2017, the Company entered into a definitive agreement with Xanthic Biopharma Limited ("Xanthic"). Pursuant to the definitive agreement the Company acquired all the issued and outstanding common shares of Xanthic (the "Xanthic Shares") from the Xanthic shareholders. At the date of closing on the definitive agreement there were 37,252,000 Xanthic Shares issued and outstanding, inclusive of 10,252,000 Xanthic Shares issued at a price of $0.125 per Xanthic Share pursuant to a non-brokered private placement. In exchange for the Xanthic Shares, the Company issued 298,016,000 common shares in the Company at a ratio of eight Company shares for each Xanthic Share at a deemed price of $0.015625 per Company share, resulting in a reverse takeover of the Company by Xanthic shareholders.

The Company had 51,668,184 common shares outstanding prior to the completion of the RTO. On closing of the RTO there are 349,684,184 common shares outstanding of which 51,668,184 represented the original shareholders of the Company who retained 14.8% and Xanthic shareholders obtained 85.2% of the Company.

Since the Company did not meet the definition of a business under IFRS 3 – *Business Combinations,* the acquisition was accounted for as a purchase of the Company's assets. The consideration paid was determined as equity-settled share based payments under IFRS 2, at the fair value of the equity of the Company retained by the shareholders of the Company based on the fair value of the Xanthic common shares on the date of closing of the RTO, which was determined to be $0.125 per common share based on the most recent equity raise completed just prior to the RTO.

The Company recorded listing fees of $944,054 in the December 2017 Interim Financial Statements of net loss and comprehensive loss. The details of the listing fees are as follows:

Fair value of consideration paid:		
51,668,184 common shares of Xanthic at $0.015625 per share	$	807,315
Net liabilities of Aurquest acquired by Xanthic		86,739
		894,054
Other Transaction Costs:		
Professional fees		50,000
Listing fees	**$**	**944,054**

The net liabilities of the Company were included at their carrying value of $86,739, which approximates their fair value as follows:

Cash	$	2,141
Prepaid expenses		500
Accounts payable and accrued liabilities		(44,380)
Shareholder loans		(45,000)
	$	**(86,739)**

Review of Operations for the three and six months ended December 31, 2017

Expenses

The Corporation completed two private placements during the six months ended December 31, 2017 which allowed the Corporation to commence execution on its business plan. As such the Corporation had consulting fees to senior management, accounting, corporate finance work and strategic advisory services of $341,716 and $402,965 for the three and six months respectively. The Corporation consulting fees related to finance work to assist developing the business plan and strategy and product development. The Corporation had for the three and six months respectively a further $29,236 and $39,439 in advertising and promotion related to website design, branding and packaging and $10,611 and $12,820 in legal and professional fees for general legal work for the three and six months respectively.

SELECTED QUATERLY FINANCIAL INFORMATION

	December 31, 2017	September 30, 2017	June 30, 2017
Current Assets	$ 1,236,139	$ 62,553	$ 36,524
Current Liabilities	314,663	138,168	111,643
Net Loss and Comprehensive Loss	1,328,678	74,496	(101,541)
Net Loss per share	$ 0.01	$ 0.00	$ 0.04

- The Corporation current assets represent cash, prepaids, and HST receivable. Current assets at December 31, 2017 include cash of $1,135,475
- The Corporation's current liabilities represent start up consulting fees, legal and audit fees since inception

LIQUIDITY AND CAPITAL RESOURCES

The Corporation has cash of $1,135,475, prepaids of $31,785, receivables of $68,879 and current liabilities of $314,663 as at December 31, 2017. The Corporation therefore has a working capital of $921,476 as result of the non-brokered private placement completed on December 13, 2017 in connection with the RTO Transaction (see "*RTO Transaction*"). Despite the positive working capital, the Corporation does not have sufficient liquidity and capital resources at December 31, 2017 to meet all its planned expenditures over the next twelve months.

Subsequent to December 31, 2017 on January 16, 2018, the Corporation completed a non-brokered private placement of $1,500,000 by issuing 96,000,000 common shares. The Corporation believes the cash from this private placement along with the working capital at December 31, 2017 is sufficient for it to fund its planned expenditures over the next twelve months.

The Corporation plans to complete further private placement financings over the next twelve months in order to fund its ongoing expenditures and execute on its business plan to get to break even cashflow. However, there is no assurance that the Corporation will be successful in these endeavors.

Outstanding Share Data

At December 31, 2017, the Corporation had 349,684,184 common shares outstanding and on February 1, 2018, the Corporation had 445,684,184 common shares outstanding and no stock options outstanding.

OFF BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Corporation has entered into arrangements with several third-party goods and services providers. In certain instances, the Corporation, directly and through its subsidiaries, has provided indemnities and/or guarantees to these third parties for the payment of goods or services provided, or otherwise. Generally, there are no pre-determined amounts or limits included in these arrangements, and the occurrence of an event that would trigger the Corporation's obligations pursuant to these arrangements is difficult to predict. Therefore, the Corporation's potential future liability cannot be reasonably estimated.

COMMITMENT AND CONTINGENCIES

At December 31, 2017, the Corporation had no outstanding commitments or contingencies due to limited history of the Corporation.

RELATED PARTY TRANSACTIONS

Other than as described in Note 6 to the December 2017 Interim Financial Statements, there are no significant changes in the nature and scope of related party transactions to those described in Note 5 to the 2017 Financial Statements and the accompanying MD&A.

BUSINESS RISKS

There are a number of inherent risks associated with the Corporation's activities. These risks are described in the Corporation's Canadian Securities Exchange Listing statement filed on www.sedar.com under "*Business Risks*". At December 31, 2017 the Corporation had not identified any material changes to the risk factors affecting its business, and its approach to managing those risks, from those discussed in the document referred to above. These business risks should be considered by interested parties when evaluating the Corporation's performance and outlook.

ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND ESTIMATES

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and other items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. Critical judgments and estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and other items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Summaries of the significant accounting policies applied and significant judgments, estimates and assumptions made by management in the preparation of its financial statements are provided in Notes 2 and 3 to the 2017 Financial Statements and Notes 2 and 3 to the December 2017 Interim Financial Statements.

CONTROLS AND PROCEDURES

Internal Control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as at December 31, 2017, the Corporation's disclosure controls and procedures were effective.

The Chief Executive Officer and the Chief Financial Officer of the Corporation have also evaluated whether there were changes to the Corporation's internal control over financial reporting during the three and six months ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting. There were no changes identified during their evaluation.

INFORMATION CONCERNING AURQUEST RESOURCES AND XANTHIC BIOPHARMA LIMITED

Additional information relating to the Corporation, may be accessed through the SEDAR website at www.sedar.com under Aurquest Resources Inc. and the Corporation's website at www.xanthicbiopharma.com.

Toronto, Ontario
February 1, 2018