

PASCAL BIOSCIENCES INC.

**Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended August 31, 2018 and 2017**

**(Expressed in Canadian Dollars)
Unaudited – Prepared by management**

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its independent auditors have not reviewed the condensed consolidated interim financial statements for the nine months ended August 31, 2018 and 2017.

Pascal Biosciences Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - prepared by management)
(Expressed in Canadian Dollars)

| | | August 31, 2018 | November 30, 2017 |
|---|--------------|--------------------|----------------------|
| | <i>Notes</i> | | |
| ASSETS | | \$ | \$ |
| Current | | | |
| Cash and cash equivalents | 4 | 4,250,851 | 114,698 |
| Prepaid expenses | 12 | 86,055 | 72,303 |
| Receivables | | 10,480 | 17,235 |
| Total current assets | | 4,347,386 | 204,236 |
| Non-current assets | | | |
| Equipment | 6 | 53,133 | 56,004 |
| Intangible assets | 5 | 720,302 | 784,653 |
| Total non-current assets | | 773,435 | 840,657 |
| Total assets | | 5,120,821 | 1,044,893 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 9 | 47,447 | 85,249 |
| Due to related parties | | 23,924 | - |
| Total liabilities | | 71,371 | 85,249 |
| SHAREHOLDERS' EQUITY | | | |
| Equity attributable to shareholders | | | |
| Share capital | 7 | 11,659,509 | 6,378,406 |
| Reserves | 7 | 964,659 | 712,141 |
| Deficit | | (7,574,718) | (6,130,903) |
| Total shareholders' equity | | 5,049,450 | 959,644 |
| Total liabilities and shareholders' equity | | 5,120,821 | 1,044,893 |

Approved on behalf of the Board:

/s/Terry Pearson

Director

/s/Patrick Gray

Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Pascal Biosciences Inc.
Condensed Consolidated Interim Statements of Operation and
Comprehensive Loss
(Unaudited - prepared by management)
(Expressed in Canadian Dollars)

| | Notes | Nine Months Ended | | Three Months Ended | |
|--|-------|--------------------|--------------------|--------------------|------------------|
| | | August 31, | | August 31, | |
| | | 2018 | 2017 | 2018 | 2017 |
| | | \$ | \$ | \$ | \$ |
| General and administrative expenses | | | | | |
| Accounting and audit fees | | 18,473 | 320 | 893 | - |
| Administrative and general office | | 42,971 | 17,236 | 12,294 | 912 |
| Amortization | 5,6 | 73,590 | 67,987 | 24,634 | 24,506 |
| Bank charges and interest | | 4,149 | 2,098 | 1,390 | 997 |
| Consulting fees | | 180,265 | 235,640 | 69,765 | 47,250 |
| Salaries and benefits | | 565,839 | 201,982 | 220,179 | 148,114 |
| Foreign exchange loss | | 25,398 | 77,533 | 14,981 | 55,235 |
| Insurance | | 8,272 | 15,938 | 2,189 | 10,603 |
| Investor relations and marketing | | 32,381 | 212 | 21,568 | - |
| Legal fees | | 68,747 | 71,978 | -16,677 | 24,332 |
| Research and development | | 296,635 | 323,311 | 188,702 | 91,065 |
| Share-based payments | | 90,627 | 142,478 | 19,967 | 31,805 |
| Transfer agent, listing and filing fees | | 12,447 | 13,262 | 2,449 | 2,426 |
| Travel and entertainment | | 44,200 | 26,484 | 14,254 | 7,532 |
| | | (1,463,994) | (1,196,459) | (576,588) | (444,777) |
| Interest income | | 20,179 | 3,283 | 7,815 | 1,698 |
| Net loss and comprehensive loss for the period | | (1,443,815) | (1,193,176) | (568,773) | (443,079) |
| Loss per share, basic and diluted | | (0.03) | (0.03) | (0.01) | (0.02) |
| Weighted average common shares outstanding - basic and diluted | | 46,539,524 | 37,393,307 | 51,949,815 | 37,448,085 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Pascal Biosciences Inc.

Condensed Consolidated Interim Statements of Shareholders' Equity

(Unaudited - prepared by management)

(Expressed in Canadian Dollars)

| | Common Shares | | Option Reserve | Foreign | Deficit | Total Shareholders' Equity |
|--|------------------|------------|----------------|------------------------------|-------------|----------------------------|
| | Number of Shares | Amount | | Currency Translation Reserve | | |
| | | \$ | \$ | \$ | \$ | \$ |
| Balance, November 30, 2016 | 35,515,085 | 5,813,506 | 511,481 | - | (4,473,888) | 1,851,099 |
| Exercise of warrants | 1,883,000 | 564,900 | - | - | - | 564,900 |
| Share-based payments | - | - | 142,478 | - | - | 142,478 |
| Net loss for the period | - | - | - | - | (1,193,176) | (1,193,176) |
| Other comprehensive loss for the period | - | - | - | (15,838) | - | (15,838) |
| Balance, August 31, 2017 | 37,398,085 | 6,378,406 | 653,959 | (15,838) | (5,667,064) | 1,365,301 |
| Net loss for the period | - | - | 58,182 | - | (463,839) | (405,657) |
| Balance, November 30, 2017 | 37,398,085 | 6,378,406 | 712,141 | - | (6,130,903) | 959,644 |
| Exercise of stock options | 575,000 | 132,250 | - | - | - | 132,250 |
| Fair value transfer on exercise of stock options | - | 115,458 | (115,458) | - | - | - |
| Issuance of shares | 13,262,594 | 5,274,030 | - | - | - | 5,274,030 |
| Share issuance costs | - | (427,973) | - | - | - | (427,973) |
| Exercise of warrants | 1,161,717 | 464,687 | - | - | - | 464,687 |
| Fair value of warrants issued | - | (277,349) | 277,349 | - | - | - |
| Share-based payments | - | - | 90,627 | - | - | 90,627 |
| Net loss for the period | - | - | - | - | (1,443,815) | (1,443,815) |
| Balance, August 31, 2018 | 52,397,396 | 11,659,509 | 964,659 | - | (7,574,718) | 5,049,450 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Pascal Biosciences Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - prepared by management)
(Expressed in Canadian Dollars)

| For the nine months ended: | August 31 | |
|--|------------------|------------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss for the period: | (1,443,815) | (1,193,176) |
| Items not involving cash: | | |
| Amortization | 73,590 | 67,987 |
| Share-based payments | 90,627 | 142,478 |
| Changes in non-cash working capital: | | |
| Prepaid expenses | (13,752) | (63,223) |
| Accounts receivable | 6,755 | 6,675 |
| Accounts payable and accrued liabilities | (13,878) | (50,573) |
| | (1,300,473) | (1,089,832) |
| Investing activities: | | |
| Purchase of lab equipment | (6,368) | (52,596) |
| | (6,368) | (52,596) |
| Financing activities: | | |
| Shares issued for cash net of share issuance costs | 5,442,994 | 564,900 |
| | 5,442,994 | 564,900 |
| Net change in cash and cash equivalents | 4,136,153 | (687,696) |
| Cash and cash equivalents, beginning of period | 114,698 | 1,028,055 |
| Cash and cash equivalents, end of period | 4,250,851 | 450,527 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

1. Nature of operations

Pascal Biosciences Inc. (the “Company”) was incorporated on January 28, 2011 pursuant to the *Business Corporations Act* (British Columbia). On May 24, 2013, the Company acquired all of the issued and outstanding shares of bioMmune Advanced Technologies Inc. (“BAT”), a private company (incorporated on July 5, 2012) formed to commercially exploit a number of patents and patent applications that surround three technologies. On March 27, 2017, the Company incorporated a wholly owned subsidiary in Seattle, Washington, named Pascal Biosciences US, Inc. (“Pascal (US)”). The Company is a Tier 2 Biotechnology Issuer engaged in the research and development of products for the treatment of cancers, and for improvement of the immune system, trading on the Exchange under the trading symbol “PAS”.

The Company’s head office and registered and records office is 1780 - 400 Burrard Street, Vancouver, BC, Canada, V6C 3A6.

The Company has not generated any revenues and has incurred losses since inception. The Company expects to spend a significant amount of capital to fund research and development and on further laboratory and animal studies. As a result, the Company expects that its operating expenses will increase significantly, and consequently, will require significant revenues to become profitable. Even if the Company does become profitable, it may not be able to sustain or increase profitability on a quarterly or annual basis. The Company cannot predict when, if ever, it will be profitable. There can be no assurances that the intellectual property of the Company, or other technologies it may acquire, will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs, or be successfully marketed. The Company plans to undertake additional laboratory and animal studies with respect to its intellectual property, and there can be no assurance that the results from such studies or trials will result in a commercially viable product or will not identify unwanted side effects.

These condensed consolidated interim financial statements have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at August 31, 2018, the Company has an accumulated deficit of \$7,574,718 (November 30, 2017: \$6,130,903) and working capital of \$4,726,015 (November 30, 2017: working capital of \$118,987).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 30, 2018.

2. Statement of compliance, basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with the International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company’s annual consolidated financial statements as at and for the year ended November 30, 2017.

The condensed consolidated interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements as at and for the year ended November 30, 2017.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

2. Statement of compliance, basis of preparation (Continued)

b) Basis of preparation

These condensed consolidated interim financial statements of the Company have been prepared on the accruals basis except for cash flow information and are based on historical costs, except for certain financial instruments. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

3. Summary of significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies described in Note 3 of the Company's annual consolidated financial statements as at and for the year ended November 30, 2017. Accordingly, these condensed consolidated interim financial statements for the nine months ended August 31, 2018 should be read together with the annual consolidated financial statements as at, and for the year ended November 30, 2017.

4. Cash and cash equivalents

As at August 31, 2018, the Company had a cashable Redeemable Short Term Investment Certificate of \$3,890,000 (November 30, 2017: \$28,000) readily convertible into cash, maturing April 11, 2019 with an annual interest rate of 1.30%. As at August 31, 2018, the Company accrued \$18,800 interest, which is included in cash and cash equivalents.

5. Intangible assets

| | |
|--|-----------|
| Cost | \$ |
| Balance, November 30, 2016 | 1,172,516 |
| Additions | - |
| Balance, November 30, 2017 and August 31, 2018 | 1,172,516 |
| Accumulated Amortization | \$ |
| Balance, November 30, 2016 | 302,063 |
| Charge for the year | 85,800 |
| Balance, November 30, 2017 | 387,863 |
| Charge for the period | 64,351 |
| Balance, August 31, 2018 | 452,214 |
| Carrying Value | \$ |
| Balance, November 30, 2017 | 784,653 |
| Balance, August 31, 2018 | 720,302 |

Pursuant to the terms of the October 2012 patent assignment agreement with the University of British Columbia ("UBC"), the Company paid UBC an assignment fee of \$300,000 related to three technologies in the cancer

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

5. Intangible assets (Continued)

protein projects of research. On May 24, 2013, the Company acquired BAT and the difference between the purchase considerations and the fair values of BAT's net assets has been assigned to intangible assets (\$17,689), the amount of which is \$854,827.

The assets have finite live and are amortized over their estimated useful lives, using the straight-line method. From the date of acquisition of the above patents, the estimated useful life is 13.7 years.

6. Equipment

| | Lab Equipment | Computer Equipment | Total |
|---------------------------------|--------------------------|-------------------------------|--------------|
| Cost | \$ | \$ | \$ |
| Balance, November 30, 2016 | - | 6,561 | 6,561 |
| Additions for the year | 60,282 | - | 60,282 |
| Balance November 30, 2017 | 60,282 | 6,561 | 66,843 |
| Additions for the period | 6,368 | - | 6,368 |
| Balance August 31, 2018 | 66,650 | - | 72,211 |
| Accumulated Amortization | \$ | \$ | \$ |
| Balance, November 30, 2016 | - | 3,561 | 3,561 |
| Charge for the year | 5,628 | 1,650 | 7,278 |
| Balance, November 30, 2017 | 5,628 | 5,211 | 10,839 |
| Charge for the period | 8,868 | 5 | 6,053 |
| Balance, August 31, 2018 | 14,496 | 5,582 | 16,892 |
| Carrying Value | \$ | \$ | \$ |
| Balance, November 30, 2017 | 54,654 | 1,350 | 56,004 |
| Balance, August 31, 2018 | 52,154 | 979 | 53,133 |

7. Share capital

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

7. Share capital (Continued)

(b) Common shares

During the nine months ended August 31, 2018, the Company:

- Issued 575,000 common shares at a price of \$0.23 per share in relation to the exercise of stock options, for gross proceeds of \$132,250. The Company reduced option reserves and increased share capital \$115,458 to recognize the fair value of the options previously expenses.
- Closed two private placements. The first private placement closed for proceeds of \$124,030 through issuance of 387,594 units at a price of \$0.32 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at \$0.40 per share for a period of 24 months. No finder's fees were paid in relation to this financing. The second private placement closed for proceeds of \$5,150,000 through issuance of 12,875,000 units at a price of \$0.40 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at \$0.60 per share for a period of 12 months. The Company paid \$387,280 in finder's fees in cash and issued 986,600 finders warrants. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of \$0.60 per share for a period of 12 months. The fair value of the warrants granted was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 1.81%, expected dividend rate of 0%, expected volatility of 102%, and forfeiture rate of 0%. The fair value of the warrants was calculated at \$227,349.
- Issued 1,161,717 shares at a price of \$0.40 per share in relation to the exercise of warrants, for gross proceeds of \$464,687.

During the year ended November 30, 2017, the Company:

- Issued 1,883,000 common shares at a price of \$0.30 per share in relation to the exercise of 1,883,000 warrants, for gross proceeds of \$564,900.

(c) Stock options

During the year ended November 30, 2012, the Company adopted a stock option plan, which provides that the Board of Directors may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for five years from the date of grant.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

7. Share capital (Continued)

(c) Stock options (Continued)

A summary of the Company's outstanding stock options and changes as at August 31, 2018 is as follows:

| | Quantity | Weighted Average Exercise Price (\$) |
|-----------------------------------|-----------|---|
| Outstanding, November 30, 2016 | 2,687,000 | 0.36 |
| Granted | 640,000 | 0.33 |
| Outstanding, November 30, 2017 | 3,327,000 | 0.36 |
| Granted | 250,000 | 0.29 |
| Granted | 2,100,000 | 0.35 |
| Exercised | (575,000) | 0.23 |
| Outstanding, August 31, 2018 | 5,102,000 | 0.35 |
| Exercisable as at August 31, 2018 | 2,437,000 | 0.39 |

On August 3, 2018, the Company granted 2,100,000 stock options to officers, directors and consultants, exercisable at a price of \$0.35 per share for a period of five years. 1,475,000 of the stock options will vest quarterly over 12 months and 625,000 of the stock options will vest quarterly over 24 months. Vesting will commence three months after the date of grant.

During the current period, 575,000 stock options were exercised at a price of \$0.23 per share for gross proceeds of \$132,250.

On January 29, 2018, the Company granted 250,000 stock options to directors of the Company. The option shares are exercisable at a price of \$0.29 per share for a period of five years and will vest quarterly over 12 months, beginning three months after the date of grant. The fair value of the stock options granted was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 2.00%, expected dividend rate of 0%; expected volatility of 73%; and forfeiture rate of 0%. The fair value of the options was calculated at \$43,938. The share-based payment expense recognized during the nine months ended August 31, 2018 was \$36,957.

On June 26, 2017, the Company granted an aggregate of 640,000 incentive stock options to directors, officers, consultants and employees of the Company. The option shares are exercisable at a price of \$0.33 per share for a period of five years and will vest quarterly over between 12 and 24 months, beginning three months after the date of grant. The fair value of the stock options granted was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 0.69%; expected dividend rate of 0%; expected volatility of 72%; and forfeiture rate of 0%. The fair value of the options was calculated at \$123,263. The share-based payment expense recognized during nine months ended August 31, 2018 was \$53,670.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying condensed consolidated interim statements of operations and comprehensive loss.

The expected volatility used in calculating the fair value of stock options granted is determined based on the historical share price of the company over the estimated lives of the stock options.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

7. Share capital (Continued)

(c) Stock options (Continued)

The options outstanding at August 31, 2018 are as follows:

| Number Outstanding | Weighted Average Exercise Price (\$) | Contractual Life (Years) |
|--------------------|---|-----------------------------|
| 150,000 | 0.20 | 0.32 |
| 750,000 | 0.31 | 2.18 |
| 820,000 | 0.36 | 2.84 |
| 392,000 | 0.72 | 2.84 |
| 640,000 | 0.33 | 4.07 |
| 250,000 | 0.29 | 4.66 |
| 2,100,000 | 0.35 | 4.99 |
| 5,102,000 | 0.36 | 2.64 |

The options outstanding at August 31, 2017 are as follows:

| | Quantity | Weighted Average Exercise Price (\$) |
|--------------------------------|-----------|---|
| Outstanding, November 30, 2015 | 2,600,000 | 0.21 |
| Granted | 1,212,000 | 0.48 |
| Exercised | (725,000) | 0.22 |
| Expired | (400,000) | 0.24 |
| Outstanding, November 30, 2016 | 2,687,000 | 0.29 |
| Granted | 640,000 | 0.33 |
| Outstanding August 31, 2017 | 3,327,000 | 0.30 |

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

7. Share capital (Continued)

(d) Share purchase warrants

A summary of the Company's outstanding share purchase warrants and changes is as follows:

| 8. Capital risk management | | Quantity | Weighted Average Exercise Price (\$) | Weighted Average Remaining Contractual Life (Years) |
|---|----------------------------|-------------|--------------------------------------|---|
| The Company's objectives when managing capital are to safeguard | Balance, November 30, 2016 | 3,883,332 | 0.32 | 0.00 |
| | Exercised | (1,883,000) | 0.30 | 0.00 |
| | Expired | (667,000) | 0.30 | 0.00 |
| | Balance, November 30, 2017 | 1,333,332 | 0.40 | 0.00 |
| | Exercised | (1,161,718) | 0.40 | 0.00 |
| | Expired | (171,614) | 0.40 | 0.00 |
| | Issued | 387,594 | 0.40 | 1.74 |
| | Issued | 12,875,000 | 0.60 | 0.72 |
| | Issued | 986,600 | 0.60 | 0.72 |
| | Balance, August 31, 2018 | 14,249,194 | 0.59 | 0.97 |

pursue the development of any identified business opportunities and to maintain a flexible capital structure for the benefit of its stakeholders. The Company includes equity, comprised of issued share capital, reserves and deficit in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, acquire or dispose of assets, or adjust the amount of cash.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the nine months ended August 31, 2018.

9. Related party transactions

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

The following directors and/or senior officers transacted with the Company in the reporting period. The following is a summary of related party transactions that occurred during the nine months ended August 31, 2018 and 2017:

Key management compensation:

| Services provided by: | | 2018 | 2017 |
|--|----|----------------|----------------|
| | | \$ | \$ |
| Dr. Patrick Gray | a) | 113,000 | 90,000 |
| Judi Dalling | b) | 48,750 | 48,750 |
| Jens Biertumpel | c) | 61,920 | 8,000 |
| Dr. Reinhard Gabathuler (Cydweli Consultants Inc.) | d) | - | 72,000 |
| Benefits | | 30,510 | - |
| Share-based payments | | 53,670 | 125,772 |
| | | 319,964 | 324,522 |

- a) Dr. Patrick Gray, President and CEO of the Company, provided services in his role as President and CEO (note 10).
- b) Judi Dalling, the CFO of the Company, provided administrative and accounting services to the Company (note 10).
- c) Jens Biertumpel, a director of the Company, provided corporate financial consulting services to the Company.
- d) Dr. Reinhard Gabathuler, a director of the Company, provided scientific consulting services to the Company.

Other related party transactions include:

1,725,000 stock options were granted to directors and officers of the Company (2017: 640,000).

\$23,924 (2017: \$nil) is included in accounts payable and accrued liabilities for disbursements payable to officers and directors of the Company.

10. Commitments

Commitments over the next five years are as follows:

| | |
|------|------------------|
| | \$ |
| 2018 | 221,000 |
| 2019 | 883,000 |
| 2010 | 883,000 |
| 2021 | 883,000 |
| 2022 | 662,000 |
| | 3,532,000 |

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

10. Commitments (Continued)

The Company has entered into consulting and employment agreements as follows:

- (a) Employment agreement with Dr. Patrick Gray, President and CEO of the Company in his role as President and CEO of the Company for a fee of \$120,000 per year. Effective July 1, 2018 his salary increased to US\$200,000 annually. (See also Note 9a);
- (b) Consulting agreement with Judi Dalling, CFO of the Company, to provide administrative and accounting services to the Company for a fee of \$65,000 per year (See also Note 9b);
- (c) Consulting agreement with 442668 BC Ltd. to provide scientific consulting services to the Company for a fee of \$60,000 per year;
- (d) Employment agreements with three scientists working in Seattle for Pascal Biosciences (US), Inc. totaling in aggregate \$375,000 per year which were increased to \$477,000 effective July 1, 2018; and
- (e) Consulting agreement with an administrative employee working in Seattle for Pascal Biosciences (US), Inc. for \$31,250 per year.

11. Financial instruments

- (a) Fair value

Financial instruments recognized at fair value on the condensed consolidated interim statements of financial position must be classified in one of the following three fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability; or

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

As at August 31, 2018 and 2017, the Company's financial instruments are comprised of cash and cash equivalents and accounts payable and accrued liabilities. With the exception of cash and cash equivalents, all financial instruments held by the Company are measured at amortized cost.

- (b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
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(Expressed in Canadian Dollars – Unaudited)

11. Financial instruments (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

At August 31, 2018, the Company had cash and cash equivalents of \$4,250,851 (November 30, 2017: \$114,698) available to apply against short-term business requirements and current liabilities of \$71,371 (November 30, 2017: \$85,249). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of August 31, 2018.

(d) Currency risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not manage currency risks through hedging or other currency management tools.

As at August 31, 2018 and November 30, 2017, the Company's net exposure to foreign currency risk is as follows:

| US dollars | 2018 | 2017 |
|---------------------------------------|----------|----------|
| | \$ | \$ |
| Cash | 170,317 | 145,590 |
| Accounts payable | (28,842) | (38,003) |
| Net exposure to foreign currency risk | 141,475 | 125,955 |
| Canadian dollar equivalent | 184,314 | 158,489 |

Based on the above net foreign currency exposure, and assuming all other variables remain constant, a 7% weakening or strengthening of the Canadian dollar against the US dollar would not have a material effect on the Company's net loss and comprehensive loss.

(e) Other price risk

Other price risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

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12. Research and development

During the nine months ended August 31, 2018, the Company incurred \$296,635 (2017: \$323,311) in research and development expenditures.

During the year ended November 30, 2015, the Company entered into three agreements with UBC to pursue research on its technologies. Total payments made to UBC for the nine months ended August 31, 2018 is \$nil (2017: \$157,000). In August 2018, the Company entered into two new agreements and advanced \$85,000 to UBC to continue to research its technologies. As at August 31, 2018, \$79,310 is included in prepaid expenses (2017: \$97,948), representing the unused portion of funds paid.

13. Segmented information

The Company has one operating segment, biotechnology research and development with lab equipment totaling \$52,154 located in the United States of America and equipment of \$979 located in Canada, all net of accumulated depreciation.

14. Events subsequent to the period

- a) In September 2018, 150,000 stock options were exercised at a price of \$0.20 per share for gross proceeds of \$30,000.