PASCAL BIOSCIENCES INC.
Condensed Consolidated Interim Financial Statements
For the Three Months Ended February 28, 2019 and 2018

(Expressed in Canadian Dollars)
Unaudited – Prepared by management

<u>**Index**</u>

	<u>**Page**</u>
Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements	2
Condensed Consolidated Interim Financial Statements	
Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss	4
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Statements	7-18

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 three months ended February 28, 2019 and 2018.

Pascal Biosciences Inc.
Condensed Consolidated Interim Statements of Financial Position
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

For the three months ended:	*Notes*	**February 28, 2019**	**November 30, 2018**
ASSETS		**$**	**$**
Current			
Cash and cash equivalents	4	2,425,764	3,644,582
Prepaid expenses	13	78,280	109,912
Receivables		17,778	13,723
Total current assets		2,521,822	3,768,217
Non-current assets			
Equipment	6	48,694	49,870
Total non-current assets		48,694	49,870
Total assets		2,570,516	3,818,087
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		155,298	226,698
Total liabilities		139,784	226,698
SHAREHOLDERS' EQUITY			
Equity attributable to shareholders			
Share capital	7	11,805,621	11,805,621
Reserves	7	1,241,184	1,161,341
Deficit		(10,631,587)	(9,375,573)
Total shareholders' equity		2,430,732	3,591,389
Total liabilities and shareholders' equity		2,570,516	3,818,087

Approved on behalf of the Board:

"Patrick W. Gray" | *"Terry Pearson"*

Director | Director

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

Pascal Biosciences Inc.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

For the three months ended:		**February 28,**	
		2019	**2018**
	Notes		
		$	**$**
General and administrative expenses			
Accounting and audit fees		9,690	15,000
Administrative and general office		26,750	13,682
Amortization	5,6	3,333	24.445
Bank charges and interest		3,205	1,345
Consulting fees	10	78,366	58,250
Salaries and benefits	10	401,148	172,504
Foreign exchange loss		138,642	(4,006)
Insurance		15,407	3,055
Investor relations and marketing		13,184	-
Legal fees		20,180	39,108
Research and development	13	441,561	42,404
Share-based payments	7,10	79,826	23,047
Transfer agent, listing and filing fees		6,569	3,184
Travel and entertainment		19,285	16,039
		(1,257,146)	(408,053)
Interest income		1,132	-
Net loss and comprehensive loss for the year		(1,256,014)	(408,053)
Loss per share, basic and diluted		(0.02)	(0.01)
Weighted average common shares outstanding - basic and diluted		52,647,396	37,613,470

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

Pascal Biosciences Inc.

Condensed Consolidated Interim Statements of Shareholders' Equity

Unaudited - Prepared by Management

(Expressed in Canadian Dollars)

	Common Shares				
	Number of Shares	**Amount**	**Option Reserve**	**Deficit**	**Total Shareholders' Equity**
		$	$	$	$
Balance, November 30, 2017	37,398,085	6,378,406	712,141	(6,130,903)	959,644
Exercise of stock options	200,000	46,000	-	-	46,000
Share-based payments	-	-	23,047	-	23,047
Net loss for the period	-	-	-	(408,053)	(408,053)
Balance, February 28, 2018	37,598,085	6,424,406	735,188	(6,538,956)	620,638
Exercise of stock options	625,000	146,250	-	-	146,250
Fair value transfer on exercise of stock options	-	147,695	(147,695)	-	-
Issuance of shares	13,262,594	5,274,030	-	-	5,274,030
Share issuance costs	-	(651,447)	211,044	-	(440,403)
Exercise of warrants	1,161,717	464,687	-	-	464,687
Share-based payments	-	-	362,804	-	362,804
Net loss for the period	-	-	-	(2,836,617)	(2,836,617)
Balance, November 30, 2018	52,647,396	11,805,621	1,161,341	(9,375,573)	3,591,389
Share-based payments	-	-	79,843	-	79,843
Net loss for the period	-	-	-	(1,256,014)	(1,256,014)
Balance, February 28, 2019	52,647,396	11,805,621	1,241,184	(10,631,587)	2,415,218

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

Pascal Biosciences Inc.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited - Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended:	**February 28**	
	2019	**2018**
	$	**$**
Cash provided by (used in):		
Operating activities:		
Net loss for the period:	(1,256,014)	(408,053)
Items not involving cash:		
Amortization	3,333	24,445
Share-based payments	79,826	23,047
Changes in non-cash working capital:		
Prepaid expenses	31,649	28,824
Accounts receivable	(4,055)	1,021
Accounts payable and accrued liabilities	(71,400)	231,043
	(1,216,661)	(99,673)
Investing activities:		
Purchase of lab equipment	(2,157)	-
	(2,157)	-
Financing activities:		
Shares issued for cash net of share issuance costs	-	46,000
	-	46,000
Net change in cash and cash equivalents	(1,218,818)	(53,673)
Cash and cash equivalents, beginning of period	3,644,582	114,698
Cash and cash equivalents, end of period	2,425,764	61,025

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 TSX Venture Exchange (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 February 28, 2019, the Company has an accumulated deficit of $10,616,073 (November 30, 2018: $9,375,573) and reported a net loss of $1,256,014 (November 30, 2018: $1,657,015) The Company's ability to maintain its existence is dependent upon the continuing support of its creditors and its success in obtaining new equity financing for its ongoing operations. Financing options available to the Company include equity financings and loans. These conditions indicate the existence of material uncertainties that cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Realization values of the Company's assets may be substantially different from carrying values as shown in these consolidated financial statements and, accordingly, should the Company be unable to continue as a going concern, the adjustments could be material.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on April 29, 2019.

2. STATEMENT OF COMPLIANCE, BASIS OF PRESENTATION

(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, 2018.

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, 2018.

(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.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly owned subsidiaries, BAT and Pascal (US).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2018.

(Expressed in Canadian Dollars)

4. CASH EQUIVALENTS

As at February 28, 2019, the Company had a cashable GIC of $1,904,000 (2017: $nil) readily convertible into cash, which will mature on April 11, 2019 with an annual interest rate of 1.30%.

5. INTANGIBLE ASSETS

Cost	**$**
Balance, November 30and 2017	1,172,516
Additions	-
Impairment for the year	(1,172,516)
Balance, November 30, 2018	-
Accumulated Amortization	**$**
Balance, November 30, 2017	387,863
Impairment for the year	(387,863)
Balance, November 30, 2018	-

Carrying Value	**$**
Balance, November 30, 2017	784,653
Impairment for the year	(784,653)
Balance, November 30, 2018 and February 28, 2019	-

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 protein projects of research. On May 24, 2013, the Company acquired BAT and the difference between the purchase consideration and the fair values of BAT’s net assets has been assigned to intangible assets for a total of $854,827.

During the year ended November 30, 2018, the Company returned two patents to Dr. Wilfred Jefferies as follow: "Compositions and methods of modulating an immune response" and “Methods and compositions for modulating voltage-gated calcium channel function However, the Company continues to advance an additional patent associated with the calcium channel antibody program, which emerged from these initial patent applications. The calcium channel antibody program remains a focus of the research conducted by the Company and in collaboration with UBC. In March 2017, the Company returned the patent titled “HAT acetylation and promoters and uses of composition thereof in promoting immunogenicity” to UBC, which supported the CD74 program. With the Company's focus on cancer, the Company's management decided to return the previously supported CD74 program. The focus of the CD74 program was on infectious disease with technologies discovered at UBC. The technology related to the role of the chaperone protein, CD74, in the presentation of immune surface proteins to improve immune responses to pathogen or cancer antigens through the activation of dendritic cells with vaccine adjuvants. In May 2017, the Company also returned to UBC the patent titled "Curcuphenol compounds for increasing MHC-I expression," which supported the natural novel compounds program. The Company recognizes the importance of this initial technology application and has continued to expand on the natural novel compounds program to include cannabinoids and strengthen its intellectual property with the filing of a new provisional application in January 2018. With the return of the patents, indicators of impairment existed resulting in an assessment of recoverable amount of the capitalized intangible assets, and ultimately the recognition of an impairment loss of $698,853.

(Expressed in Canadian Dollars)

6. EQUIPMENT

	Lab Equipment	Computer Equipment	Total
Cost	**$**	**$**	**$**
Balance, November 30, 2017	60,700	6,143	66,843
Additions for the year	6,528	0	6,528
Balance November 30, 2018	67,228	6,143	73,371
Additions for the period	0	2,157	2,157
Balance, February 28, 2019	67,228	8,300	75,528
Accumulated Amortization	**$**	**$**	**$**
Balance, November 30, 2017	10,239	600	10,839
Charge for the year	11,920	742	12,662
Balance, November 30, 2018	22,159	1,342	23,501
Charge for the period	2,436	897	3,333
Balance, February 28, 2019	24,595	2,239	26,834
Carrying Value	**$**	**$**	**$**
Balance, November 30, 2018	45,069	4,801	49,870
Balance, February 28, 2019	42,633	6,061	48,694

7. SHARE CAPITAL

(a) Authorized

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

(b) Common shares

During the year ended November 30, 2018, the Company:

- Issued common shares in relation to the exercise of stock options as follows:
  - 575,000 common shares at a price of $0.23, for gross proceeds of $132,250;
  - 150,000 common shares at a price of $0.20 for gross proceeds of $30,000; and
  - 100,000 common shares at a price of $0.30, for gross proceeds of $30,000.

7. SHARE CAPITAL (Continued)

(b) Common shares (Continued)

- Issues common shares in relation to 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 incurred $440,403 in share issuances costs and issued 994,600 finders' warrants.

    Each finders' 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 135.2%, and forfeiture rate of 0%. The fair value of the warrants was calculated at $211,044.
- 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 warrants, for gross proceeds of $564,900.

(c) Stock options

(Expressed in Canadian Dollars)

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 and exercisable for five years from the date of grant.

7. SHARE CAPITAL (continued)

(c) Stock options (continued)

A summary of the Company's outstanding stock options and changes is as follows:

	Quantity	**Weighted Average Exercise Price ($)**
Outstanding, November 30, 2017	3,327,000	0.36
Granted	2,350,000	0.34
Exercised	(825,000)	0.23
Outstanding, November 30, 2018 and February 28, 2019	4,852,000	0.34
Exercisable as at November 30, 2018	3,858,250	0.38

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. 1,475,000 of the stock options will vest quarterly over 12 months and expire on August 3, 2023. 625,000 of the stock options will vest quarterly over 24 months and expire on August 3, 2021. The fair value of 1,475,000 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 2.35%, expected dividend rate of 0%; expected volatility of 93.22% and forfeiture rate of 0%. The fair value of the options was calculated at $372,000. The fair value of 625,000 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 2.35%, expected dividend rate of 0%; expected volatility of 97.21%; and forfeiture rate of 0%. The fair value of the options was calculated at $134,324. The share-based payment expense recognized during the three months ended February 28, 2019 was $75,000.

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 90.56%; and forfeiture rate of 0%. The fair value of the options was calculated at $51,079. The share-based payment expense recognized during the three months ended February 28, 2019 was $1,806.

(Expressed in Canadian Dollars)

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.

7. SHARE CAPITAL (continued)

(d) Stock options (continued)

The share-based payment expense recognized during the three months ended February 28, 2019 was $3,020.

Option pricing models require the use of highly subjective estimates and assumptions. The expected volatility assumption is based on the historical and implied volatility of the Company's common share price on the Exchange. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of operations and comprehensive loss.

The options outstanding at February 28, 2019 are as follows:

Number Outstanding	Weighted Average Exercise Price ($)	Contractual Life (Years)
650,000	0.31	1.43
820,000	0.36	2.09
392,000	0.72	2.59
640,000	0.33	3.33
250,000	0.29	3.91
625,000	0.35	2.42
1,475,000	0.35	4.42
4,852,000	0.37	3.05

The options outstanding at February 28, 2018 are as follows:

(Expressed in Canadian Dollars)

Number Outstanding	Weighted Average Exercise Price ($)	Contractual Life (Years)
375,000	0.23	0..20
150,000	0.20	0..57
750,000	0.31	2.43
820,000	0.36	3.09
392,000	0.72	3.09
640,000	0.33	4.32
250,000	0.29	4.91
3,377,000	0.36	2.64

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

(d) Share purchase warrants

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

	Quantity	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
Balance, November 30, 2017	1,333,332	0.40	1.46
Exercised	(1,161,717)	0.40	-
Expired	(171,615)	0.40	-
Issued	14,257,194	0.59	0.06
Balance, November 30, 2018	14,257,194	0.59	0.27
Cancelled	(3,495,000)	0.60	-
Balance, February 28, 2019	10,762,194	0.59	0.27

8. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of any identified business opportunities and to maintain a flexible capital structure for the benefit of its stakeholders.

The Company includes shareholders' 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 relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended February 28, 2019.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions that occurred during the three months ended February 28, 2019 and 2018.

Key management compensation:

Services provided by:		**2019**	**2018**
		$	**$**
Dr. Patrick Gray	(a)	65,845	30,000
Judi Dalling	(b)	16.250	16,250
Jens Biertumpel	(c)	23.704	9,000
Larry Tjoelker	(d)	59.260	-
Tom Deckwerth	(e)	55.000	-
Share-based payments		76,805	23047
Benefits		59,592	-
		356,456	78,297

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) Larry Tjoelker, Vice President of Research, Pascal US, provided scientific consulting services to the Company.
e) Tom Deckwerth, Vice President of Therapeutic Development, Pascal US, provided scientific consulting services to the Company.

Included in accounts payable is $16,187 payable to directors and officers of the Company for consulting fees during the period.

10. COMMITMENTS

Commitments over the next five fiscal years are as follows:

	$
2019	402,548
2020	463,584
2021	140,184
2022	51,634
2023	33,000
	1,090,950

10. COMMITMENTS (Continued)

The Company has entered into consulting agreements as follows:

a) Consulting agreement with Judi Dalling, CFO of the Company, to provide financial and administrative services to the Company for an annual fee of $65,000 ;

b) Consulting agreement with Mo Mousa to provide bookkeeping services to Pascal US for an annual fee of USD $24,000; and

c) Consulting agreement with Carl Weissman to provide business development services to the Company for an annual fee of USD $300,000.

The Company has also entered into the following agreements:

a) University of Washington: On October 9, 2018, the Company entered into an exclusive license agreement with the University of Washington ("UW") to develop a cannabinoid-based product for the treatment of glioblastoma multiform and brain metastases. Under the terms of the agreement, the Company will pay annual fees (US Dollars) as follow:

October 9, 2020	$ 5,000
October 9, 2021	$ 10,000
Every year thereafter until first sale	$ 25,000

b) University of British Columbia: On July 1, 2018, the Company and UBC signed a new Collaborative Research Agreement on research and development projects covering the three core technologies above (novel natural compounds, monoclonal antibody regulation of calcium channels, and monoclonal antibody for B-cell precursor acute lymphoblastic leukemia (BCP-ALL)). The contract period commenced on the effective date and will end 12 months after the start date. As part of the new agreement, the Company agreed to pay UBC $140,000 for research, of which $70,000 was paid in August 2018 and the balance of $70,000 was paid in January, 2019.

c) Lease agreement between the Company and University of Washington Co-Motion Labs, commencing in May, 2017 for a period of five years at an annual rate of USD $46,200.

11. FINANCIAL INSTRUMENTS

(a) Fair value

Financial instruments recognized at fair value on the consolidated 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

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (Continued)

(a) Fair Value (Continued)

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

As at February 28, 2019 and 2018, the Company's financial instruments are comprised of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The carrying amounts reported in the consolidated statements of financial position for cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair values due to the short-term maturities of these financial instruments.

(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.

(c) Liquidity risk

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

At February 28, 2019, the Company had cash and cash equivalents of $2,425,764 (November 30, 2018: $3,644,582) available to apply against short-term business requirements and current liabilities of $155,298 (November 30, 2018: $226,698). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of February 28, 2019.

(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 February 28, 2019 and 2018, the Company's net exposure to foreign currency risk is as follows:

US dollars	2019	2018
	$	$
Cash	288,324	25,189
Accounts payable	(72,615)	(61,645)
Net exposure to foreign currency risk	215,709	(36,456)

(Expressed in Canadian Dollars)

Canadian dollar equivalent	284,067	(46,984)

12. FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk (Continued)

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.

(d) 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.

13. RESEARCH AND DEVELOPMENT

During the three months ended February 28, 2019, the Company incurred $441,561 (February 28, 2018: $414,608) in research and development expenditures. The Company entered into a new collaborative research agreement with UBC in July 2018. Payments to UBC during the three months ended February 28, 2019 were $70,000, of which $27,369 is included in prepaid expense as at February 28, 2019.

14. SEGMENTED INFORMATION

The Company has one operating segment, biotechnology research and development with lab and computer equipment in the United States of America.

15. EVENTS SUBSEQUENT TO THE PERIOD

There are no events subsequent to February 28, 2019.