



**PASCAL BIOSCIENCES INC.
Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020**

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

<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 Loss and Comprehensive Loss	4
Condensed Consolidated Interim Statements in Shareholders' Equity (Deficiency)	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Statements	7-17

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM 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, 2021 and 2020.

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

For the periods Ended:		August 31, 2021	November 30, 2020
	<i>Notes</i>		
ASSETS		\$	\$
Current			
Cash and cash equivalents		49,824	-
Prepaid expenses		7,377	10,598
Receivables	7,12	57,900	83,802
Total current assets		115,101	94,400
Equipment	4	13,234	26,314
Total assets		128,335	120,714
LIABILITIES			
Current liabilities			
Bank indebtedness		-	16,909
Accounts payable and accrued liabilities	9	264,506	326,494
Short-term loan payable	9	24,374	129,650
Total liabilities		288,880	473,053
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Equity attributable to shareholders			
Share capital	6	13,026,100	12,331,652
Reserves	6	901,312	887,921
Deficit		(14,087,957)	(13,571,912)
Total shareholders' equity (deficiency)		(160,545)	(352,339)
Total liabilities and shareholders' equity (deficiency)		128,335	120,714

Approved on behalf of the Board:

"Patrick W. Gray"

Director

"Terry Pearson"

Director

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

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

	<i>Notes</i>	For the Three Months Ended August 31,		For the Nine Months Ended August 31,	
		2021	2020	2021	2020
		\$	\$	\$	\$
General and administrative expenses					
Accounting and audit fees		21,011	-	21,011	6,354
Administrative and general office		24,603	11,416	55,896	44,249
Amortization	4	4,342	9,196	13,080	11,394
Bank charges and interest		1,176	(917)	4,677	2,780
Consulting fees	9	7,466	46,395	65,052	182,987
Salaries and benefits	9	261,496	261,915	774,239	879,636
Foreign exchange loss		13,080	(19,642)	(2,637)	(4,337)
Insurance		14,308	7,987	34,258	39,734
Investor relations and marketing		1,594	-	39,866	9,000
Legal fees		5,399	(1,577)	6,951	(925)
Research and development	7,12	(219,654)	(6,919)	(519,172)	22,848
Share-based payments	6, 9	102,602	1,831	174,581	14,061
Transfer agent, listing and filing fees		3,827	10,417	18,884	28,634
Travel and entertainment		25	(124)	49	41
Total general and administrative expenses		(241,275)	(319,978)	(686,735)	(1,236,456)
Other Income					
Interest income		-	(297)	-	416
Net loss and comprehensive loss for the year		(241,275)	(320,275)	(686,735)	(1,236,040)
Loss per share, basic and diluted		(0.00)	(0.01)	(0.01)	(0.02)
Weighted average common shares outstanding - basic and diluted		65,094,769	54,942,767	62,949,514	56,440,944

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

Pascal Biosciences Inc.

Condensed Consolidated Interim Statements in Shareholders' Equity (Deficiency)

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

	Common Shares		Option Reserve	Deficit	Total Shareholders' Equity (Deficiency)
	Number of Shares	Amount			
		\$	\$	\$	\$
Balance, November 30, 2019	52,647,396	11,805,621	1,115,120	(12,576,705)	344,036
Shares issued for cash	3,793,548	341,419	-	-	341,419
Share subscriptions received	-	130,420	-	-	130,420
Share-based payments	-	-	14,061	-	14,061
Net loss for the period	-	-	-	(1,236,040)	(1,236,040)
Balance, August 31, 2020	56,440,944	12,277,460	1,129,181	(13,812,745)	(406,104)
Shares issued for debt	1,153,825	54,192	-	-	54,192
Share-based payments	-	-	1,460	-	1,460
Fair value transfer on expiry of options	-	-	(242,720)	242,720	-
Net loss for the period	-	-	-	(1,887)	(1,887)
Balance, November 30, 2020	57,594,769	12,331,652	887,921	(13,571,912)	(352,339)
Shares issued for cash	7,500,000	740,500	9,500	-	750,000
Share issuance costs	-	(46,052)	-	-	(46,052)
Share-based payments	-	-	174,581	-	174,581
Fair value transfer on expiry of options	-	-	(170,690)	170,690	-
Net loss for the period	-	-	-	(686,735)	(686,735)
Balance, August 31, 2021	65,094,769	13,026,100	901,312	(14,087,957)	(160,545)

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)

	August 31, 2021	August 31, 2020
	\$	\$
Cash provided by (used in):		
Operating activities:		
Net loss for the period:	(686,735)	(1,236,040)
Items not involving cash:		
Amortization	13,080	11,394
Share-based payments	174,581	14,061
Reinstatement of assets held for sale	-	13,271
Changes in non-cash working capital:		
Prepaid expenses	3,221	8,317
Accounts receivable	25,902	6,045
Accounts payable and accrued liabilities	(78,897)	429,354
Due to related parties	20,224	-
	(528,624)	(753,598)
Financing activities:		
Shares issued for cash	624,500	341,419
Share issuance costs	(46,052)	-
Share subscriptions received	-	130,420
	578,448	471,839
Net change in cash and cash equivalents	49,824	(281,759)
Cash and cash equivalents, beginning of period	-	361,385
Cash and cash equivalents, end of period	49,824	79,626
Composition of cash and cash equivalents		
Cash	49,824	79,626
Cash in asset held for sale	-	-
Cash and cash equivalents, end of period	49,824	79,626

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, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

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 records office is Suite 304, 4000 Mason Road, Seattle WA 98195.

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. 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, 2021, the Company has an accumulated deficit of \$14,087,957 (November 30, 2020: \$13,571,912) and reported a net loss of \$686,735 (August 31, 2020: \$1,236,040). 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 may 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 condensed consolidated interim financial statements and, accordingly, should the Company be unable to continue as a going concern, the adjustments could be material.

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results, condition, and financings (equity and debt) of the Company in future periods.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

2. STATEMENT OF COMPLIANCE, BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards, as issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 22, 2021.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair values. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are the same as those disclosed in Note 3 in the Company’s annual consolidated financial statements as at and for the year ended November 30, 2020.

(c) Functional and presentation currency

These condensed consolidated interim 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, 2020.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

4. EQUIPMENT

Cost	Lab Equipment	Computer Equipment	Total
Balance November 30, 2019	\$ 9,870	\$ 4,401	\$ 14,271
Transfer from assets held for sale	57,358	-	57,358
Balance November 30, 2020 and August 31, 2021	\$ 67,228	\$ 4,401	\$ 71,629
Accumulated Amortization			
Balance, November 30, 2019	\$ 7,176	\$ 149	\$ 7,325
Transfer to assets held for sale	25,512	-	25,512
Charge for the year	12,278	200	12,478
Balance November 30, 2020	\$ 44,966	\$ 349	\$ 45,315
Charge for the period	11,409	1,671	13,080
Balance August 31, 2021	\$ 56,375	\$ 2,020	\$ 58,395
Carrying Value			
Balance, November 30, 2020	\$ 22,262	\$ 4,052	\$ 26,314
Balance, August 31, 2021	\$ 10,853	\$ 2,381	\$ 13,234

5. GOVERNMENT ASSISTANCE

During the nine months ended August 31, 2021, the Company was awarded a grant of US\$343,750 from the National Cancer Institute of the US National Institutes of Health (NIH). This two-year award will fund development of Pascal's antibody drug for Acute Lymphoblastic Leukemia (ALL), which is the most common childhood leukemia. During the nine months ended August 31, 2021, the Company incurred US\$36,567 (August 31, 2020: \$nil) in research and development expenditures against income of US\$34,567 (August 31, 2020: \$nil) in funding from NIH.

6. 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

Nine months ended August 31, 2021

On February 8, 2021, the Company closed the first tranche of a private placement announced November 2, 2020 and January 19 and January 22, 2021, for 5,600,000 Units at a price of \$0.10 per Unit and gross proceeds of \$560,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.15 for a period of 24 months from the date of

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

6. **SHARE CAPITAL** (continued)

(b) Common shares (continued)

closing, subject to an acceleration clause which the Company may exercise once the Units are free of resale restrictions and if the Company's shares are trading at or above a volume weighted average price of \$0.40 for 10 consecutive trading days. The warrants will expire upon 30 days from the date the Company provides notice in writing to the warrant holders via a news release. The Company paid \$32,200 in finder's fees related to the closing of the first tranche.

On March 17, 2021, the Company closed the second tranche of the non-brokered private placement announced on November 2, 2020 and January 19 and January 22, 2021, and issued 1,900,000 Units at a price of \$0.10 per Unit for gross proceeds of \$190,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.15 for a period of 24 months from the date of closing, subject to an acceleration clause, under which the Company may exercise once the Units are free of resale restrictions and if the Company's shares are trading at or above a volume weighted average price of \$0.40 for 10 consecutive trading days. The warrants will expire upon 30 days from the date the Company provides notice in writing to the warrant holders via a news release. The Company paid \$1,365 in finder's fees and incurred cash share issuance costs of \$12,487 related to the closing of the second tranche. The Company allocated \$9,500 of the gross proceeds to warrants using the residual method.

Nine months ended August 31, 2020

On March 24, 2020, the Company completed a non-brokered private placement for gross proceeds of \$341,419 and issued 3,793,548 units (each a "Unit") to SoRSE Technology Corporation (the "Purchaser"), at a price of \$0.09 per Unit. Each Unit consists of one common share and one common share purchase warrant (each a "Warrant"). Each Warrant will entitle the Purchaser to purchase one additional common share at a price of \$0.15 until March 24, 2022.

During the nine months ended August 31, 2020, the Company received share subscriptions of \$130,420 from a related party.

(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 and 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, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

6. **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, 2019	5,050,000	0.33
Expired	(1,135,000)	0.34
Outstanding, November 30, 2020	3,915,000	0.38
Granted	3,275,000	0.09
Expired	(807,500)	0.36
Outstanding, August 31, 2021	6,382,500	0.23
Exercisable as at August 31, 2021	4,351,750	0.30

On April 20, 2021 the Company granted an aggregate of 2,875,000 stock options to directors, employees and consultants, pursuant to the Company's stock option plan and subject to the policies of the TSX Venture Exchange. The stock options are exercisable at a price of \$0.08 per share, exercisable for a period of five years and will vest quarterly over one year. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 0.75%, expected dividend rate of 0%; expected volatility of 94.59% and forfeiture rate of 0%. The fair value of the options was calculated at \$164,478. The share-based payment expense recognized during the nine months ended August 31, 2021 was \$105,874 (August 31, 2020: \$nil).

On December 18, 2020, the Company granted 400,000 stock options to directors and employees of the Company. The stock options are exercisable at a price of \$0.15, for a period of five years and vest quarterly over one year. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 0.35%, expected dividend rate of 0%; expected volatility of 94.21% and forfeiture rate of 0%. The fair value of the options was calculated at \$42,621. The share-based payment expense recognized during the nine months ended August 31, 2021 was \$38,739 (August 31, 2020: \$nil).

On May 28, 2019, the Company granted 198,000 stock options to consultants, exercisable at a price of \$0.20 per share. The stock options will vest quarterly over 36 months and expire on May 28, 2022. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 1.48%, expected dividend rate of 0%; expected volatility of 87.39% and forfeiture rate of 0%. The fair value of the options was calculated at \$21,651. The share-based payment expense recognized during the nine months ended August 31, 2021 was \$2,760 (August 31, 2020: \$6,970).

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

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(c) Stock options (continued)

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 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 stock options was estimated 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 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 stock options was estimated at \$134,324. The share-based payment expense recognized during the nine months ended August 31, 2021 was \$nil (August 31, 2020: \$7,091).

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 condensed consolidated interim statements of operations and comprehensive loss.

The options outstanding at August 31, 2021 are as follows:

Expiry Date	Outstanding	Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)
October 3, 2021	392,000	392,000	0.72	0.09
November 29, 2021	500,000	500,000	0.08	0.25
December 18, 2021	150,000	150,000	0.29	0.30
December 18, 2021	475,000	475,000	0.35	0.30
March 22, 2022	202,500	202,500	0.36	0.56
March 22, 2022	50,000	50,000	0.33	0.56
March 22, 2022	100,000	100,000	0.35	0.56
April 30, 2022	35,000	35,000	0.33	0.66
April 30, 2022	100,000	100,000	0.35	0.66
May 28, 2022	198,000	148,500	0.20	0.74
June 27, 2022	505,000	505,000	0.33	0.82
January 28, 2023	100,000	100,000	0.29	1.41
August 2, 2023	800,000	800,000	0.35	1.92
December 18, 2025	400,000	200,000	0.15	4.30
April 20, 2026	2,375,000	593,750	0.08	4.64
	6,382,500	4,351,750	0.23	2.45

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(c) Stock options (continued)

Subsequent to August 31, 2021, 392,000 options were cancelled.

(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, 2019	387,594	0.40	0.27
Issued	3,793,548	0.15	1.31
Expired	(387,594)	0.40	-
Balance, November 30, 2020	3,793,548	0.15	1.31
Issued	7,500,000	0.15	1.47
Balance, August 31, 2021	11,293,548	0.15	1.16

The warrants outstanding at August 31, 2021 are as follows:

Expiry Date	Number Outstanding	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)
March 24, 2022	3,793,548	0.15	0.56
February 8, 2023	5,600,000	0.15	1.44
March 17, 2023	1,900,000	0.15	1.54
	11,293,548	0.15	1.16

7. COLLABORATIVE RESEARCH AGREEMENT

On September 14, 2020, the Company and SōRSE announced that they have entered into a Collaborative Research Agreement (the "Agreement") to advance Pascal's immune-stimulating cannabinoid PAS-393 into clinical testing in humans. Pascal (US) and SōRSE will share their respective technologies to test the cannabinoid PAS-393 in human volunteers, enabling testing of cancer patients treated with checkpoint inhibitors.

SōRSE will provide US \$750,000 in research funding to Pascal (US) throughout the 15-month collaboration and will pay for related research expenditures. During the nine months ended August 31, 2021, the Company received \$563,801 (US \$450,000) of research funding which is included in research and development.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

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 (deficiency), 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 nine months ended August 31, 2021.

9. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions that occurred during the three and nine months ended August 31, 2021 and 2020.

Services provided by:	Three months ended August 31,		Nine months ended August 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Key management salaries/fees a)	53,506	71,242	176,280	239,539
Director and officer salaries/fees b)	97,729	111,537	325,821	452,433
Benefits	31,791	27,549	92,583	97,437
Share-based payments	51,708	-	94,863	-
	234,734	210,328	689,547	789,409

Related parties include:

- a) Key management salaries include amounts paid to the CEO and the CFO.
- b) Director and officer salaries include amounts paid to the Vice President of Research, the Vice President of Therapeutic Development and the Chief Business Officer.

Included in accounts payable and accrued liabilities is \$172,082 (November 30, 2020: \$69,522) payable to directors and officers of the Company. Included in the above are loans to the Company by a director of the Company totaling \$24,374 (US \$19,318). The loan is unsecured, is due on demand and bears no interest.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

10. COMMITMENTS

Commitments over the next five fiscal years are as follows:

- a) Consulting agreement for bookkeeping services to Pascal (US) for an annual fee of US \$24,000.

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 multiforme and brain metastases. Under the terms of the agreement, the Company will pay the annual fees (US Dollars) as follow:

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

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 in, puts 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, 2021 and 2020, the Company’s financial instruments are comprised of cash and cash equivalents (bank indebtedness), accounts receivables, and accounts payable and accrued liabilities. The carrying amounts reported in the condensed consolidated interim statements of financial position for cash and cash equivalents (bank indebtedness), 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 (bank indebtedness). The Company limits its exposure to credit loss by placing its cash and cash equivalents (bank indebtedness) 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
For the Nine Months Ended August 31, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

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 funds to meet its liabilities when due.

At August 31, 2021, the Company had cash and cash equivalents of \$49,824 (November 30, 2020: \$nil) available to apply against short-term business requirements and current liabilities of \$288,880 (November 30, 2020: \$473,053). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of August 31, 2021.

(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, 2021 and 2020, the Company's net exposure to foreign currency risk is as follows:

US dollars	2021	2020
	\$	\$
Cash (Bank indebtedness)	(2,246)	59,824
Accounts receivable	-	-
Accounts payable	(155,886)	(389,956)
Short-term loan	(19,318)	-
Net exposure to foreign currency risk	(177,450)	(330,132)
Canadian dollar equivalent	(223,889)	(430,558)

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 have a significant 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.

Pascal Biosciences Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended August 31, 2021 and 2020
Unaudited – Prepared by Management
(Unaudited, Expressed in Canadian Dollars)

12. RESEARCH AND DEVELOPMENT

During the nine months ended August 31, 2021, the Company incurred \$48,384 (August 31, 2020: \$22,848) in research and development expenditures against income of \$563,801 (August 31, 2020: \$nil) in funding from SÖRSE (Note 6).

13. SEGMENTED INFORMATION

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

14. EVENTS SUBSEQUENT TO THE PERIOD

On September 3, 2021, the Company granted 500,000 stock options to the President and CEO. The stock options are exercisable at a price of \$0.08, for a period of five years and vest immediately on grant.