PASCAL BIOSCIENCES INC.
Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended May 31, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

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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 interim consolidated financial statements for the three and six months ended May 31, 2022 and 2021.

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

For the periods ended:	Notes	May 31, 2022	November 30, 2021
ASSETS		$	$
Current			
Cash and cash equivalents		25,440	-
Prepaid expenses		15,872	3,192
Receivables	7,12	131,937	142,007
Total current assets		173,249	145,199
Equipment	5	4,532	9,989
Total assets		177,781	155,188
LIABILITIES			
Current liabilities			
Bank indebtedness		-	7,759
Accounts payable and accrued liabilities	9	662,996	588,944
Short-term loan payable	9	174,697	49,780
Total liabilities		837,693	646,483
SHAREHOLDERS' DEFICIENCY			
Equity attributable to shareholders			
Share capital	6	13,052,100	13,026,100
Shares to be Issued	6	-	46,000
Reserves	6	509,424	712,851
Deficit		(14,221,436)	(14,276,246)
Total shareholders' deficiency		(659,912)	(491,295)
Total liabilities and shareholders' deficiency		177,781	155,188

Approved on behalf of the Board:

"Patrick W. Gray" — Director

"Terry Pearson" — Director

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

Pascal Biosciences Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Notes	For the Three Months Ended May 31, 2022	2021	For the Six Months Ended May 31, 2022	2021
		$	$		
General and administrative expenses					
Accounting and audit fees		23,217	-	37,548	-
Administrative and general office		15,803	14,567	26,958	30,790
Amortization	5	2,729	7,068	5,457	8,738
Bank charges and interest		823	1,673	2,363	3,501
Consulting fees	9	11,441	24,447	2,880	57,586
Salaries and benefits	4, 7, 9	65,407	97,779	161,423	135,601
Foreign exchange loss		(1,367)	(20,844)	(3,353)	(15,717)
Insurance		5,041	7,819	9,820	19,950
Investor relations and marketing		610	35,565	(5,083)	38,272
Legal fees		8,456	1,552	14,858	1,552
Research and development	4, 12	(25,390)	36,832	(27,183)	78,127
Share-based payments	6, 9	19,972	70,826	35,480	71,979
Transfer agent, listing and filing fees		8,441	8,805	11,622	15,057
Travel and entertainment		-	-	(741)	24
Total general and administrative expenses		(135,183)	(286,089)	(272,049)	(445,460)
Other Income					
Interest income		-	-	1,402	-
Gain on debt settlement	9	86,550	-	86,550	-
Net loss and comprehensive loss for the period		(48,633)	(286,089)	(184,097)	(445,460)
Loss per share, basic and diluted		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average common shares outstanding - basic and diluted		65,594,769	64,764,334	65,501,362	61,865,099

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

Pascal Biosciences Inc.

Condensed Interim Consolidated Statements in Shareholders' Deficiency

(Unaudited - Expressed in Canadian Dollars)

	Common Shares						
	Number of Shares	Amount	Shares to be Issued	Share Subscription Receivable	Option Reserve	Deficit	Total Shareholders' Deficiency
		$	$	$	$	$	$
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	-	(63,565)	-	-	-	-	(63,565)
Subscriptions receivable	-	-	-	(158,635)	-	-	(158,635)
Share-based payments	-	-	-		71,979	-	71,979
Net loss for the period	-	-	-		-	(445,460)	(445,460)
Balance, May 31, 2021	65,094,769	13,008,587	-	(158,635)	969,400	(14,017,372)	(198,020)
Shares issued for cash	-	-	-	158,635	-	-	158,635
Share issuance costs	-	17,513	-	-	-	-	17,513
Shares to be issued in lieu of salaries	-	-	46,000	-	-	-	46,000
Share-based payments	-	-	-	-	128,048	-	128,048
Fair value transfer on expiry and cancellation of options	-	-	-	-	(384,597)	384,597	-
Net loss for the period	-	-	-	-	-	(643,471)	(643,471)
Balance, November 30, 2021	65,094,769	13,026,100	46,000	-	712,851	(14,276,246)	(491,295)
Share issuance costs	-	(20,000)			-	-	(20,000)
Shares issued in lieu of salaries	500,000	46,000	(46,000)	-	-	-	-
Share-based payments	-	-	-	-	35,480	-	35,480
Fair value transfer on expiry of options	-	-	-	-	(238,907)	238,907	-
Net loss for the period	-	-	-	-	-	(184,097)	(184,097)
Balance, May 31, 2022	65,594,769	13,052,100	-	-	509,424	(14,221,436)	(659,912)

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

Pascal Biosciences Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

For the six months ended May 31:	2022	2021
	$	$
Cash provided by (used in):		
Operating activities:		
Net loss for the period	(184,097)	(445,460)
Items not involving cash:		
Amortization	5,457	8,738
Share-based payments	35,480	71,979
Gain on debt settlement	(86,550)	-
Changes in non-cash working capital:		
Prepaid expenses	(12,680)	(2,785)
Receivables	10,070	16,224
Accounts payable and accrued liabilities	160,602	(19,753)
	(71,718)	(371,057)
Financing activities:		
Shares issued for cash	-	750,000
Proceeds from short-term loan	124,917	15,214
Share issuance costs	(20,000)	(63,565)
Share subscriptions receivable	-	(158,635)
	104,917	543,014
Net change in cash (bank indebtedness)	33,199	171,957
Bank indebtedness, beginning of period	(7,759)	(16,909)
Cash, end of period	25,440	155,048
Supplemental cash flow information:		
Interest paid	-	-
Taxes paid	-	-
Short-term loan payable applied to shares issued for cash	-	-

The accompanying notes are an integral part of these condensed interim 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 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 interim consolidated 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 May 31, 2022, the Company has an accumulated deficit of $14,221,436 (November 30, 2021: $14,276,246) and reported a net loss of $184,097 (2021: $445,460). 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 interim consolidated 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 worldwide COVID-19 pandemic, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. The Company may face disruption to operations, supply chain delays, travel and trade restrictions, and impacts on economic activity in affected countries can be expected that are difficult to quantify.

In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. 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.

There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic's impact on global industrial and financial markets which may reduce share prices and financial liquidity, thereby limiting access to additional capital.

2. STATEMENT OF COMPLIANCE, BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated 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 interim consolidated financial statements were authorized for issue by the Board of Directors on July 27, 2022.

(b) Basis of measurement

These condensed interim consolidated 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 interim consolidated 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 consolidated 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, 2021.

(c) Functional and presentation currency

These condensed interim 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. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated 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 ("IIFRIC"). The accounting policies and methods of computation applied by the Company in these condensed interim consolidated 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, 2021.

4. GOVERNMENT ASSISTANCE

During the year ended November 30, 2021, the Company was awarded a grant of US$321,406 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 six months ended May 31, 2022, the Company incurred US$38,171 (2021: $nil) in research and development expenditures against income of US$38,171 (2021: $nil) in funding from NIH.

(Unaudited - Expressed in Canadian Dollars)

5. EQUIPMENT

Cost		Lab Equipment		Computer Equipment		Total
Balance, November 30, 2020	$	67,228	$	4,401	$	71,629
Balance November 30, 2021 and May 31, 2022	$	67,228	$	4,401	$	71,629
Accumulated Amortization						
Balance, November 30, 2020	$	44,966	$	349	$	45,315
Charge for the year		14,398		1,927		16,325
Balance, November 30, 2021	$	59,364	$	2,276	$	61,640
Charge for the period		4,481		976		5,457
Balance, May 31, 2022	$	63,845	$	3,252	$	67,097
Carrying Value						
Balance, November 30, 2021	$	7,864	$	2,125	$	9,989
Balance, May 31, 2022	$	3,383	$	1,149	$	4,532

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

Six months ended May 31, 2022

On January 4, 2022, the Company issued 500,000 common shares, with a fair value of $46,000 to the former CEO, Rob Gietl, per his employment agreement in lieu of two months' worth of salary.

Six months ended May 31, 2021

On February 8, 2021, the Company closed the first tranche of a private placement by issuing 5,600,000 Units at a price of $0.10 per Unit for 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 per share for a period of 24 months from the date of 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.

(Unaudited - Expressed in Canadian Dollars)

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 related to the closing of the second tranche. The Company allocated $9,500 of the gross proceeds to warrants using the residual method. At May 31, 2021, the Company had subscriptions receivable of $158,635.

(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.

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

	Quantity	Weighted Average Exercise Price ($)
Outstanding, November 30, 2020	3,915,000	0.37
Granted	3,775,000	0.09
Expired	(1,510,000)	0.27
Cancelled	(392,000)	0.72
Outstanding, November 30, 2021	5,788,000	0.19
Granted	500,000	0.08
Expired	(1,108,000)	0.31
Outstanding, May 31, 2022	5,180,000	0.16
Exercisable as at May 31, 2022	4,805,000	0.16

On February 28, 2022, the Company granted 500,000 stock options to the current CEO, Brian Bapty. The stock options are exercisable at a price of $0.08 per share, 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 1.73%, expected dividend rate of 0%, expected volatility of 94.02%, and forfeiture rate of 0%. The fair value of the options was calculated at $28,772. The share-based payment expense recognized during the six months ended May 31, 2022 was $15,009 (2021: $nil).

On September 3, 2021, the Company granted 500,000 stock options to the former CEO, Rob Gietl. The stock options are exercisable at a price of $0.08 per share, for a period of five years and vest immediately on the grant. 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 0.98%, expected dividend rate of 0%, expected volatility of 95.83%, and forfeiture rate of 0%. The fair value of the options was calculated at $31,082. The share-based payment expense recognized during the six months ended May 31, 2022 was $nil (2021: $nil).

On April 20, 2021, the Company granted 2,875,000 stock options to directors, employees and consultants of the Company. The stock options are exercisable at a price of $0.08 per share, 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 six months ended May 31, 2022 was $19,421 (2021: $38,488).

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 six months ended May 31, 2022 was $525 (2021: $31,422).

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 six months ended May 31, 2022 was $525 (2021: $2,069).

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.

(Unaudited - Expressed in Canadian Dollars)

The options outstanding at May 31, 2022 are as follows:

Expiry Date	Outstanding	Exercisable		Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
June 27, 2022	505,000	505,000	(1)	0.33	0.07
January 28, 2023	100,000	100,000		0.29	0.66
August 2, 2023	800,000	800,000		0.35	1.17
December 18, 2025	400,000	400,000		0.15	3.55
April 20, 2026	2,375,000	2,375,000		0.08	3.89
September 3, 2026	500,000	500,000		0.08	4.26
February 28, 2022	500,000	125,000		0.08	4.75
	5,180,000	4,805,000		0.16	3.13

(1) Subsequent to May 31, 2022, 505,000 options expired unexercised.

(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, 2020	3,793,548	0.15	1.31
Issued	7,500,000	0.15	1.22
Balance, November 30, 2021	11,293,548	0.15	0.91
Expired	(3,793,548)	0.15	
Balance, May 31, 2022	7,500,000	0.15	0.72

The warrants outstanding at May 31, 2022 are as follows:

Expiry Date	Number Outstanding	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
February 8, 2023	5,600,000	0.15	0.69
March 17, 2023	1,900,000	0.15	0.79
	7,500,000	0.15	0.72

(Unaudited - Expressed in Canadian Dollars)

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 year ended November 30, 2021, the Company received $563,801 (US$500,000) (2020: $206,864/US$154,079) of research funding and recorded an account receivable of $127,920 (US$100,000) (2020: $nil), which is included in salaries and benefits. As at May 31, 2022, the amount of $126,480 (US$100,000) has still not been received.

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 six months ended May 31, 2022.

9. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions that occurred during the three and six months ended May 31, 2022 and 2021:

		Three months ended May 31,		Six months ended May 31,	
Services provided by:		2022	2021	2022	2021
		$	$	$	$
Key management salaries/fees	a)	54,900	60,157	93,866	131,174
Director and officer salaries/fees	b)	-	129,472	15,132	228,092
Share-based payments		18,107	34,334	27,947	43,155
Benefits		-	30,999	18,163	60,792
		73,007	254,962	155,108	463,213

Related parties include:

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

Included in accounts payable and accrued liabilities is $278,619 (November 30, 2021: $233,820) payable to directors and officers of the Company. The amounts in accounts payable and accrued liabilities are non-interest bearing and due within 30 days. Additionally, there are loans to the Company by a director of the Company totaling $174,697 (US $117,818) (November 30, 2021: $49,780 /US$34,318). The loan is unsecured, is due on demand and bears no interest.

On February 8, 2022, the Company received a Notice of Civil Claim against the Company from a former officer of the Company for damages due to a breach of contract and wrongful termination. The claim against the Company is for 500,000 common shares of the Company to be issued to the former officer, punitive damages, interest and costs. The 500,000 common shares were issued during the six months ended May 31, 2022. No other amounts have been accrued in respect of this claim.

In March 2022, the Company entered into agreements with non-arm's length and arm's length parties to settle debt of $474,812 by issuing 4,478,276 common shares of the Company at a deemed price of $0.08 per share. Further, debt of $116,550 was agreed to be settled for $30,000 in cash, resulting in a gain on debt settlement of $86,550. As at May 31, 2022, the Company has not issued the common shares for debt.

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 $36,000.

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 follows:

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 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;

(Unaudited - Expressed in Canadian Dollars)

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 May 31, 2022 and 2021, the Company's financial instruments are comprised of bank indebtedness, accounts receivables, and accounts payable and accrued liabilities. The carrying amounts reported in the consolidated statements of financial position for bank indebtedness, receivables, short-term loan payable, 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 receivables. The Company limits its exposure to credit loss by having its receivables from an entity it has been in business with for a long time. 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 May 31, 2022, the Company had cash and cash equivalents of $25,440 (November 30, 2021: $nil) available to apply against short-term business requirements and current liabilities of $837,693 (November 30, 2021: $646,483). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of May 31, 2022. The short-term loan payable is due on demand.

(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 May 31, 2022 and 2021, the Company's net exposure to foreign currency risk is as follows:

US dollars	2022	2021
	$	$
Cash (Bank indebtedness)	20,023	68,354
Accounts receivable	100,000	9,500
Accounts payable	(306,291)	(175,035)
Short-term loan payable	(99,818)	(120,000)
Net exposure to foreign currency risk	(286,086)	(217,181)
Canadian dollar equivalent	(361,842)	(262,181)

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 an immaterial 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.

12. RESEARCH AND DEVELOPMENT

During the six months ended May 31, 2022, the Company incurred ($27,183) (2021: recovery of expenditures of $78,127) in research and development expenditures against income of $nil (2021: $197,555) and an account receivable of $126,480 in funding from SōRSE (Note 7).

13. SEGMENTED INFORMATION

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