

Financial Statements

Navco Pharmaceuticals Limited



As at March 31, 2023

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

NAVCO PHARMACEUTICALS LIMITED
STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	March 31, 2023	September 30, 2022
ASSETS		\$	\$
Cash		1,550,933	1,535
Receivable	4	15,461	55,869
Inventory	5	4,499	3,019
Total current assets		1,570,892	60,423
Non-current assets			
Plant and equipment	6	201,527	219,235
Intangible asset	7	41,000	45,200
Total non-current assets		242,527	264,435
TOTAL ASSETS		1,813,420	324,858
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	313,995	214,944
Amounts due to related parties	12	611,187	628,179
Secured loan and interest payable	9	94,850	92,062
Other loans, unsecured without interest		60,153	62,653
Current portion of lease liability	10, 15	12,207	11,288
Total current liabilities		1,092,392	1,009,126
Non-Current liabilities			
Lease liability	10, 15	97,628	103,838
Total non-current liabilities			103,838
TOTAL LIABILITIES		1,190,020	1,112,964
SHAREHOLDERS' DEFICIT			
Share capital	11	876,625	876,625
Share subscriptions received	11	1,550,000	-
Accumulated deficit		(1,803,225)	(1,664,731)
TOTAL SHAREHOLDERS' DEFICIT		623,400	(788,106)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,813,420	324,858

Nature and continuance of operations (Note 1)

Commitments (Note 15)

Subsequent Event (Note 18)

On behalf of the Board:

“Geoffrey Lee”

Director

“Chris Cooper”

Director

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

NAVCO PHARMACEUTICALS LIMITED
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
For the periods ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

	Notes	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022	For the Six Months Ended March 31, 2023	For the Six Months Ended March 31, 2022
		\$	\$	\$	\$
Revenue					
Consulting		-	14,238	-	37,738
			14,238		
General and administrative expenses					
Consulting fees	12	21,697	57,827	49,153	79,104
Amortization		2,100	2,100	4,200	4,200
Depreciation		8,854	9,374	17,707	18,747
Interest on loan		1,389	1,593	2,789	3,198
Interest on lease		1,953	947	3,953	1,955
Management fees	12	-	46,200	46,200	92,400
Office and general		7,972	9,723	17,332	23,985
Professional fees		(740)	5,000	(2,840)	6,200
Wages and benefits		-	14,297	-	40,846
		43,225	147,061	138,494	270,635
Loss and comprehensive loss for the period		(43,225)	(132,823)	(138,494)	(232,897)
Basic and diluted loss per common share		(0.00)	(0.01)	(0.01)	(0.02)
Weighted average number of common shares outstanding		14,500,000	14,500,000	14,500,000	14,500,000

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

NAVCO PHARMACEUTICALS LIMITED

STATEMENT OF CHANGES IN EQUITY (DEFICIT)

For the period ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

	Number of shares	Share capital	Subscriptions Received	Accumulated Deficit	Shareholders' Equity (Deficit)
		\$	\$	\$	\$
Balance, September 30, 2021 (restated)	14,500,000	876,625	-	(1,199,603)	(322,978)
Net loss and comprehensive loss for the period	-	-	-	(237,897)	(237,897)
Balance, March 31, 2022	14,500,000	876,625	-	(1,437,500)	(560,875)
Net loss and comprehensive loss for the period	-	-	-	(227,231)	(227,231)
Balance, September 30, 2022	14,500,000	876,625	-	(1,664,731)	(788,106)
Balance, September 30, 2022	14,500,000	876,625	-	(1,664,731)	(788,106)
Subscriptions received in advance			1,550,000		1,550,000
Net loss and comprehensive loss for the period	-	-	-	(138,494)	(138,494)
Balance, March 31, 2023	14,500,000	876,625	1,550,000	(1,803,225)	(623,400)

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

NAVCO PHARMACEUTICALS LIMITED**STATEMENT OF CASH FLOWS**

For the periods ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

	For the Period ended March 31, 2023	For the Period ended March 31, 2022
	\$	\$
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the period	(138,494)	(232,897)
Items not affecting cash		
Amortization	4,200	4,200
Depreciation	17,707	18,747
Interest on leases	3,953	1,955
Interest on loan	2,789	3,198
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	11,131	56,600
Amounts due related parties	92,928	134,886
Receivable	40,408	(13,232)
Inventory	(1,480)	3,732
	33,142	(22,811)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Loan proceeds	(24,500)	33,000
Subscriptions received in advance	1,550,000	-
Lease payments	(9,244)	(9,057)
	1,516,256	23,943
Change in cash for the period	1,549,398	1,132
Cash, beginning of the period	1,535	4,071
Cash, end of the period	1,550,933	5,203
Cash and cash equivalents are comprised of:		
Cash	933	5,203
Cash equivalents	1,550,000	-
	1,550,933	5,203

Supplemental disclosure with respect to cash flows (note 17)

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

NAVCO PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended March 31, 2023 and 2022

1. Nature and continuance of operations

Navco Pharmaceuticals Limited (the “Company”) was incorporated under the Canada Business Corporations Act on February 26, 2020.

The Company’s registered office is located at 5205 Harvester Road, Unit 1, Burlington, Ontario, Canada.

Navco is a start-up company, that through its purchase of intellectual property, plans to manufacture nano-technology products and materials using computerized nano-meter algorithms. These products have applications in the medical, textile, chemical and additive industries. The Company’s products are tailored to defend against microorganisms such as viruses, bacteria, fungi, and genetic manipulation tools such as clustered regularly interspaced short palindromic repeats.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and be able to realize assets and discharge liabilities in the ordinary course of operations. During the period ended March 31, 2023, the Company incurred a net loss and comprehensive loss of \$138,494 (2022 - \$232,897) and had an accumulated deficit of \$1,803,225 as of March 31, 2023 which raises uncertainties as to the ability of the Company to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board effective as of October 1, 2022.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements were approved for issue by the Board of Directors on April 10, 2023.

Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may vary from these estimates.

In preparing these condensed interim financial statements, significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the period ended September 30, 2022.

NAVCO PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended March 31, 2023 and 2022

2. Significant accounting policies (cont'd)

Basis of measurement and presentation

The condensed interim financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended September 30, 2022. These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value and are presented in Canadian dollars, which is also the Company's functional currency. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. New standards, amendments and interpretations

The Company has reviewed the impact of new and amended standards that are effective for annual periods beginning on or after October 1, 2022. It does not expect the impact on the financial statements to be material, although additional disclosure may be required.

4. Receivable

Current receivables consist of government harmonized sales taxes receivable at March 31, 2023 of \$15,461 (September 30, 2022 - \$55,869).

5. Inventory

Inventory at March 31, 2023 of \$4,499 (September 30, 2022 - \$3,019) consists of raw material costs to be used in production of the finished products.

6. Plant and equipment

	Leasehold Improvements	Equipment	Right to Use Assets	Total
	\$	\$	\$	\$
Costs				
September 30, 2022	47,140	100,508	139,166	286,814
Additions	-	-	-	-
September 30, 2022 and March 31, 2023	47,140	100,508	139,166	286,814
Depreciation				
September 30, 2021	7,304	6,688	18,173	32,165
2022 depreciation	11,124	10,056	14,234	35,414
September 30, 2022	18,428	16,744	32,407	67,579
2023 depreciation	5,562	5,028	7,117	17,707
March 31, 2023	23,990	21,772	39,525	85,287
Net Book Value September 30, 2022	28,712	83,764	106,759	219,235
Net Book Value March 31, 2023	23,150	78,736	99,641	201,527

NAVCO PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended March 31, 2023 and 2022

7. Intangible asset

On June 30, 2020, the Company entered into an Intellectual Property Assignment Agreement with a related entity, 100 THX Inc., whereby 100 THX Inc. assigned and transferred certain intellectual property to the Company in exchange for 1,170,000 common shares, valued at \$0.05 per share for a total value of \$58,500. During the period ended December 31, \$4,200 (2022 - \$4,200) was amortized and the value at March 31, 2023 was \$41,000 (September 30, 2022 - \$45,200). The Company is amortizing the asset over 7 years.

8. Accounts payable and accrued liabilities

	March 31, 2023	September 30, 2022
	\$	\$
Accounts payable	279,733	170,142
Accrued liabilities	21,918	32,458
Wages payable	12,344	12,344
	313,995	214,944

9. Secured loan and interest payable

The Company signed two loan agreements with BMGB Capital Corp (“BMGB”) on May 6, 2020. One agreement provided for a loan of \$25,000 and the other provided a line of credit for \$75,000. Interest of 6% per annum, calculated and compounded monthly is charged on both loans. At March 31, 2023, the amount advanced to the Company was \$78,500 (September 30, 2022 - \$78,500) and interest of \$16,350 was accrued for a total payable of \$94,850 (September 30, 2022 - \$92,062). The loan was originally due on December 31, 2020 but under the latest amending agreement, has been extended to April 15, 2023. It is secured by a general security agreement covering all current and future assets.

10. Lease liability

The Company entered a contractual arrangement to lease premises starting May 1, 2020. On February 20, 2021, the terms of the lease were changed to reflect an increase in square footage occupied and the lease was extended for an additional two years. The terms of the lease call for minimum monthly lease payments of \$1,347 until March 31, 2021, \$1,510 for two years and three months, \$1,626 for the fourth year and \$1,664 for the fifth year. The Company recorded the lease and a right-to-use asset of \$41,946 initially and increased both by \$97,220 when the terms of the lease were changed for a total value of \$139,166. As the option to renew was likely to be exercised and the lease extended a further 5 years, the net present value was calculated to include the additional 5 year term. The present value of the payments was discounted at 7%. (See Note 19)

Future lease payment are as follows:

	Period ended March 31, 2023
	\$
2023	19,506
2024	19,974
2025	19,974
2026	19,974
2027	19,974
2028	19,974
Thereafter	19,974
Total lease payments	139,350
Discount	29,515
Payments on principal	109,835
Current principal payments	12,207
Long term portion	97,628

NAVCO PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended March 31, 2023 and 2022

11. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There are 14,500,000 shares issued and outstanding as at March 31, 2023 (September 30, 2022 – 14,500,000). The transactions giving rise to these shares are as follows:

No shares were issued during the period ended March 31, 2023 or the year ended September 30, 2022

During the period ended March 31, 2023, \$1,550,000 was received in share subscriptions.

12. Related party transactions

The Company considers officers and members of the Board of Directors as related parties. Key management costs for the period ended March 31, 2023, is \$81,033 (2022 - \$127,554). Remuneration was made to the following officers and directors and their close family members, or to companies controlled by these officers and directors:

	Period ended March 31, 2023	Period ended March 31, 2022
	\$	\$
CEO and director management fees, accrued or paid	24,000	48,000
CFO and director management fees, accrued or paid	9,000	18,000
Management fees paid accrued or paid to director	13,200	26,400
Consulting fees paid or accrued to a company controlled by a director	34,833	32,154
Rent paid or accrued to CFO	-	3,000
Total	81,033	127,554

As at March 31, 2023, an amount of \$546,633 (September 30, 2022 - \$558,825) was due to related parties for unpaid fees, lease and advances, and \$64,554 in loans (September 30, 2022 \$69,354). The amounts are unsecured, without interest and due on demand.

13. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to pursue the Company's objectives. 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 sustain future development of the business.

In the management of capital, the Company includes its cash balances and components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in 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, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

NAVCO PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended March 31, 2023 and 2022

14. Financial instruments and other instruments

	<i>Ref.</i>	March 31, 2023	September 30, 2022
		\$	\$
Other financial assets	a	1,550,933	1,535
Other financial liabilities	b	1,158,156	1,081,100

a. Comprised of cash

b. Comprised of accounts payable and accrued charges, amounts due to related parties, loans and interest payable and lease payable. Payables of \$31,864 (September 30, 2022 - \$31,864) to government agencies are excluded.

Financial risk management

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of accounts at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. At March 31, 2023, management considers the Company's exposure to credit risk is minimal.

NAVCO PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended March 31, 2023 and 2022

14. Financial instruments and other instruments (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at March 31, 2023, the Company had a cash balance of \$1,550,933 (September 30, 2022 - \$1,535) to settle current liabilities of \$1,092,392 (September 30, 2022 - \$1,009,126). So far, the Company's source of funding has been the issuance of equity securities for cash through private placements and advances from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding or advances from related parties.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At March 31, 2023, the Company was not exposed to significant interest rate risk.

b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company is not currently subject to price risk as it is not listed on a public stock exchange.

15. Commitments

The Company leases the premises at Unit 1 - 5205 Harvester Road, Burlington, Ontario of approximately 1,852 square feet with the lease paid monthly at the beginning of each month. Effective April 1, 2021, the rate for two years is \$18,115 annually, effective April 1, 2023, the rate changes to \$19,509 annually for one year and effective April 1, 2024, the rate is \$19,974 for the final year. The term of the lease is for a total of five years commencing May 1, 2020. The lease is renewable at the Company's option and has been classified as a right-to-use asset.

16. Segment information

The Company has one reportable segment, being the manufacture and research of nano-technology products and materials using Computerized Nano-meter Algorithms in Ontario, Canada.

17. Supplemental disclosure with respect to cash flows

For the period ended March 31, 2023, there were no significant non-cash transactions.

For the period ended March 31, 2022, \$872 in inventory costs were unpaid at the period end and was included in amounts due to related party.

NAVCO PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended March 31, 2023 and 2022

18. Subsequent event

On April 14, 2023, the Company completed a share exchange agreement with BMGB Capital Corp. The transaction is a qualifying transaction pursuant to the policies of the TSX Venture Exchange. Under the terms of the agreement, the Company's shareholders will sell 100% of their shares in the Company and receive 21,340,000 shares of BMGB, at a deemed price of \$0.15, representing an aggregate valuation for the Company of \$3,201,000.

The closing was subject to a private placement for gross proceeds of \$2,000,000 and the preparation and filing of a Filing Statement with the Exchange and receipt of all necessary regulatory and Exchange approvals. The Company issued 340,000 shares for finder's fees.

NAVCO PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended March 31, 2023 and 2022

18. Subsequent Event