

# NAVCO PHARMACEUTICALS INC.

(formerly BMGB Capital Corp.)

## MANAGEMENT DISCUSSION & ANALYSIS

For the Nine Month Period Ended June 30, 2023

This Management Discussion and Analysis (“MD&A”) of Navco Pharmaceuticals Inc (“Navco” or the “Company”) (formerly BMGB Capital Corp.) has been prepared by management as of August 29, 2023 and should be read together with the financial statements and related notes for the period ended June 30, 2023 which are prepared in accordance with International Financial Reporting Standards (“IFRS”). All of the following amounts are expressed in Canadian dollars unless otherwise stated.

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect” and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

### Overall Performance

The Company was incorporated under the Canada Business Corporations Act on April 1, 2018. The Company’s registered office is located at Suite 600 – 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

On April 13, 2023, the Company (formerly BMGB Capital Corp (“BMGB”)) completed a share exchange agreement with Navco Pharmaceutical Limited (“Private Co”). The transaction is a qualifying transaction pursuant to the policies of the TSX Venture Exchange. Under the terms of the agreement, Private Co shareholders sold 100% of their shares to the Company and received 21,340,000 shares of Company, at a deemed price of \$0.15, representing an aggregate valuation for the Company of \$3,201,000. The resulting entity became the listed entity under the name of Navco Pharmaceuticals Inc. The Private Co shareholders hold 21,340,000 shares or 82.3% of the new entity and the BMGB shareholders hold 4,600,000 shares or 17.7%. The transaction was a reverse acquisition of BMGB. Since its operations did not meet the definition of a business under IFRS 3, the transaction did not qualify as a business combination and has been accounted for under IFRS 2. Accordingly, the transaction has been accounted for at the fair value of the consideration paid, being the equity instruments held by the shareholders of BMGB on closing date of the transaction. In exchange, the Company acquired the net assets of BMGB, recognized and measured at their acquisition date fair values. The difference between the fair value of the consideration paid and the fair value of the assets acquired and liabilities assumed represents the cost of the Company obtaining a listing on the exchange, which does not qualify for recognition as an asset and has therefore been expensed and is included in reverse acquisition transaction costs in the consolidated statements of loss and comprehensive loss. The results of BMGB are included in the consolidated financial statements of the Company from the date of the reverse acquisition. The following represents the fair value of the net assets acquired as a result of the reverse acquisition:

Fair value of 21,340,000 shares at a determined price of \$0.15 per share	\$3,201,000
Acquisition date fair value of assets acquired and liabilities	\$ 421,291
Listing expense	\$2,779,709

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.

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**Selected Annual Information**

The following table provides a summary of the Company's financial operations for years ended September 30, 2022 and 2021 and the period from incorporation, February 26, 2020 to September 30, 2020. For more detailed information, refer to the September 30, 2022 audited financial statements.

	Year Ended September 30, 2022	Year Ended September 30, 2021	Period from Incorporation February 26, 2020 to September 30, 2020
	\$	\$	\$
Total revenue	58,734	15,525	Nil
General and administrative expenses	(523,862)	(541,787)	(673,344)
Loss and comprehensive loss for the year	(465,128)	(526,259)	(673,344)
Loss per share – basic and diluted	(0.03)	(0.04)	(0.11)
Total assets	324,857	351,055	394,925
Total liabilities	1,112,964	674,033	311,644

**Summary of Quarterly Results**

	Three Months Ending June 30, 2023	Three Months Ending March 31, 2023	Three Months Ending December 31, 2022	Three Months Ending September 30, 2022
	\$	\$	\$	\$
Revenue for the period	-	-	-	5,200
Net Loss for the Period	(3,343,345)	(43,225)	(95,269)	(124,036)
Loss per Share	0.48	(0.00)	(0.01)	(0.01)

  

	Three Months Ending June 30, 2022	Three Months Ending March 31, 2022	Three Months Ending December 31, 2021	Three Months Ending September 30, 2021
	\$	\$	\$	\$
Revenue for the period	15,796	14,238	23,500	299
Net Loss for the Period	(108,195)	(132,823)	(100,074)	(104,704)
Loss per Share	(0.01)	(0.01)	(0.00)	(0.01)

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### Results of Operations

For the nine months ended June 30, 2023:

The Company had \$nil in revenue from operations for the nine months ended June 30, 2023 (2022 - \$53,534). During the nine months ended June 30, 2023, the Company incurred a net loss of \$3,481,839 (2022 -\$341,092).

The general and administrative expenses for the nine months ended March 31 are summarized below:

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	2023	2022
	\$	\$
Consulting fees	494,225	109,039
Amortization	6,010	6,300
Depreciation	26,561	28,121
Interest on loan	1,963	4,833
Interest on lease	5,858	2,932
Management fees	81,550	138,600
Office and general	26,948	49,059
Professional fees	33,498	7,100
Transfer agent and filing fees	25,517	-
Wages and benefits	-	48,642

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Expenses for the nine month period ended June 30, 2023 remained consistent with the period ended June 30, 2022, except for consulting and professional fees which increased due to additional services required related to the qualifying transaction. The listing costs for the reverse takeover transaction was \$2,779,709.

### Third Quarter

The significant costs for the nine-month period ending June 30 are summarized below:

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	2023	2022
	\$	\$
Consulting fees	445,071	29,935
Management fees	35,350	46,200
Office and general	9,615	25,074
Professional fees	36,339	900
Transfer agent and filing fees	25,518	-

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Expenses for the nine month period ended June 30, 2023 for consulting and professional fees increased substantially compared to the same period in 2022 due to a costs increased due to additional services required related to the qualifying transaction.

### Liquidity and Capital Resources

At June 30, 2023, the Company reported a working capital of \$484,320 (September 30, 2022 – deficit of \$748,703). At June 30, 2023 the Company had a cash balance of \$722,016 (September 30, 2022 - \$1,535) to settle current liabilities of \$591,051 (September 30, 2022 - \$1,009,126). Over the coming year the Company expects to fund these liabilities and its operational activities through the issuance of capital stock and through loans from related parties.

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During the nine months ended June 30, 2023, cash provided by operating activities was \$1,322,111 (2022 – used in \$28,293). Cash used during the period consists primarily from a net loss of \$3,481,839 (2022 - \$341,092) net of amortization of \$6,300 (2022 - \$6,300), depreciation of \$26,561 (2022 - \$28,121), interest on lease of \$5,858 (2022 - \$2,932), interest on loan of \$nil (2022 - \$4,833) and listing costs on reverse takeover of \$2,779,709 (2022 - \$nil) For the nine months ended June 30, 2023 the net increase in non-cash operating working capital items was \$658,700 (2022 – decrease of \$270,613).

During the nine months ended June 30, 2023, cash provided by financing activities was \$2,042,592 (2022 – \$24,121) which was provided by \$2,110,566 (2022 - \$nil) from the issue of common shares, less loan repayments of \$51,787 (2022 – proceeds of \$37,800), less \$14,121 (2022 - \$13,679) in lease payments and interest payments of \$2,066 (2022 - \$nil).

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company’s plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

### Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

### Recent Accounting Policies Adopted

New standards and interpretations issued but not yet effective:

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.

### Related party transactions

The Company considers officers and members of the Board of Directors as related parties. Key management costs for the nine months ended June 30, 2023, is \$153,583 (2022 - \$196,690). 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 June 30, 2023	Period ended June 30, 2022
	\$	\$
CEO management, accrued or paid	22,500	
Former CEO management fees and director fees, accrued or paid	48,000	72,000
CFO and director management fees, accrued or paid	19,600	27,000
Management fees paid accrued or paid to director	18,200	339,600
Management fees paid to a former CFO	10,450	
Consulting fees paid or accrued to a company controlled by a director	34,833	53,590
Rent paid or accrued to CFO	-	4,500
Total	153,583	196,690

As at June 30, 2023, an amount of \$411,975 (September 30, 2022 - \$558,825) was due to related parties for unpaid fees, lease and advances, and \$26,750 in loans (September 30, 2022 \$69,354). The amounts are unsecured, without interest and due on demand.

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### Financial Instruments and Other Instruments

	<i>Ref.</i>	<i>June 30, 2023</i>	<i>September 30, 2022</i>
		\$	\$
Other financial assets	a	722,016	1,535
Other financial liabilities	b	673,031	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 \$12,344 (September 30, 2022 - \$31,864) to government agencies are excluded.*

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 institution, 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 June 30, 2023, management considers the Company's exposure to credit risk is minimal.

#### *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.

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As at June 30, 2023, the Company had a cash balance of \$722,016 (September 30, 2022 - \$1,535) to settle current liabilities of \$591,051 (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 June 30, 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.

### **Other Requirements**

#### *Summary of Outstanding Securities as at date of report* *Authorized share capital*

Unlimited number of common shares without par value.

#### *Issued share capital*

There are 40,350,441 shares issued and outstanding as at the date of this report.

#### *Stock options and Warrants*

None