

Financial Statements

Navco Pharmaceuticals Inc.

(Formerly BMGB Capital Corp.)



As at June 30, 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 INC.

(Formerly BMGB Capital Corp)

STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes	June 30, 2023	September 30, 2022
ASSETS		\$	\$
Cash		722,016	1,535
Receivable	5	27,560	55,869
Prepaid		322,321	-
Inventory	6	3,474	3,019
Total current assets		1,075,371	60,423
Non-current assets			
Plant and equipment	7	192,674	219,235
Intangible asset	8	38,900	45,200
Total non-current assets		231,574	264,435
TOTAL ASSETS		1,306,945	324,858
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	130,987	214,944
Amounts due to related parties	13	438,725	628,179
Secured loan and interest payable	10	-	92,062
Other loans, unsecured without interest		8,800	62,653
Current portion of lease liability	11, 16	12,539	11,288
Total current liabilities		591,051	1,009,126
Non-Current liabilities			
Lease liability	11, 16	94,324	103,838
Total non-current liabilities		94,324	103,838
TOTAL LIABILITIES		685,375	1,112,964
SHAREHOLDERS' DEFICIT			
Share capital	12	5,678,411	876,625
Reserves	12	89,729	-
Accumulated deficit		(5,146,570)	(1,664,731)
TOTAL SHAREHOLDERS' DEFICIT		621,570	(788,106)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,306,945	324,858

Nature and continuance of operations (Note 1)

Commitments (Note 16)

On behalf of the Board:

"Geoffrey Lee"

Director

"Chris Cooper"

Director

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

NAVCO PHARMACEUTICALS INC .
(Formerly BMGB Capital Corp.)
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
For the periods ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

	Notes	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
		\$	\$	\$	\$
Revenue					
Consulting		-	15,796	-	53,534
					53,534
General and administrative expenses					
Consulting fees	13	445,071	29,935	494,225	109,039
Amortization		1,810	2,100	6,010	6,300
Depreciation		8,854	9,374	26,561	28,121
Interest on loan		(826)	1,635	1,963	4,833
Interest on lease		1,905	977	5,858	2,932
Management fees	13	35,350	46,200	81,550	138,600
Office and general		9,615	25,074	26,948	49,059
Professional fees		36,339	900	33,498	7,100
Transfer agent and filing fees		25,518	-	25,517	-
Wages and benefits		-	7,796	-	48,642
		563,366	123,991	702,130	394,626
Net loss before other items		(563,366)	(108,195)	(702,130)	(341,092)
Listing costs from reverse takeover transaction		(2,779,709)	-	(2,779,709)	-
Loss and comprehensive loss for the period		(3,343,345)	(108,195)	(3,481,839)	(341,092)
Basic and diluted loss per common share					
		(0.48)	(0.02)	(0.39)	(0.02)
Weighted average number of common shares outstanding					
		6,935,207	14,500,000	9,011,817	14,500,000

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

NAVCO PHARMACEUTICALS INC.
(Formerly BMGB Capital Corp.)
STATEMENT OF CHANGES IN EQUITY (DEFICIT)
For the period ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

	Number of shares	Share capital	Reserves	Accumulated Deficit	Shareholders' Equity (Deficit)
		\$	\$	\$	\$
Balance, September 30, 2021	14,500,000	876,625	-	(1,198,176)	(321,551)
Net loss and comprehensive loss for the period	-	-	-	(341,092)	(341,092)
Balance, June 30, 2022	14,500,000	876,625	-	(1,539,268)	(662,643)
Balance, September 30, 2022	14,500,000	876,625	-	(1,664,731)	(788,106)
Share capital adjustment on reverse takeover	(9,900,000)	(560,780)	89,729	-	(471,051)
Shares issued on reverse takeover	21,340,000	3,201,000	-	-	3,201,000
Shares issued as finders fees	340,000	51,000	-	-	51,000
Shares issued in private placement	14,070,441	2,110,566	-	-	2,110,566
Net loss and comprehensive loss for the period	-	-	-	(3,481,839)	(3,481,839)
Balance, June 30, 2023	40,350,441	5,678,411	89,729	(5,146,570)	621,570

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

NAVCO PHARMACEUTICALS INC.
(Formerly BMGB Capital Corp.)
STATEMENT OF CASH FLOWS
For the periods ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

	For the Period ended June 30, 2023	For the Period ended June 30, 2022
	\$	\$
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the period	(3,481,839)	(341,092)
Items not affecting cash		
Amortization	6,300	6,300
Depreciation	26,561	28,121
Interest on leases	5,858	2,932
Interest on loan	-	4,833
Listing costs on reverse takeover	2,779,709	-
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(262,699)	81,436
Amounts due related parties	(101,534)	205,359
Receivable	28,309	(20,908)
Prepaid	(322,321)	-
Inventory	(455)	4,726
	<u>1,322,111</u>	<u>(28,293)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Common shares issued for cash	2,110,566	-
Interest payments	(2,066)	-
Loan proceeds (repayments)	(51,787)	37,800
Lease payments	(14,121)	(13,679)
	<u>2,042,592</u>	<u>24,121</u>
Change in cash for the period	720,481	(4,172)
Cash, beginning of the period	1,535	4,071
Cash, end of the period	722,016	(101)

Supplemental disclosure with respect to cash flows (note 18)

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

NAVCO PHARMACEUTICALS INC.

(Formerly BMGB Capital Corp.)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended June 30, 2023 and 2022

1. Nature and continuance of operations

Navco Pharmaceuticals Inc. (formerly BMGB Capital Corp.) (the "Company") was incorporated in the Province of British Columbia on April 21, 2018. The Company's registered and records office is Suite 600 – 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. As a CPC, the Company's principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). Such a transaction will be subject to shareholder and regulatory approval. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction.

As a CPC, subject to certain exceptions, the proceeds raised by the Company from the issuance of share capital may only be used to identify and evaluate assets of business for future investment. These restrictions apply until the completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange. At the Company's Extraordinary General Meeting of Shareholders held on May 25, 2021 the shareholders of the Company voted in favour of the following resolutions implementing the certain changes needed to transition to the TSX Venture Exchange's Policy 2.4 - Capital Pool Companies effective as at January 1, 2021: (i) removing the consequences associated with the Company not completing a Qualifying Transaction within 24 months of its listing date; and (ii) authorizing the Company to make certain amendments to the Company's escrow agreement.

Pursuant to a share exchange agreement (the "Share Exchange Agreement") dated January 18, 2021, as amended, between the Company, NAVCO Pharmaceuticals Limited ("NAVCO") and the NAVCO shareholders, on April 13, 2023, the Company acquired all of the issued and outstanding common shares of NAVCO by issuing an aggregate of 21,340,000 common shares of the Company pro rata to the NAVCO shareholders at a deemed price of \$0.15 per share, representing an aggregate valuation for NAVCO of \$3,201,000 (the "Share Exchange"). In conjunction with the Share Exchange, a finder's fee of 340,000 shares of the Company was made.

The Company also closed a private placement for gross proceeds of \$2,110,566 on closing; the preparation and filing of a Filing Statement with the Exchange; and receipt of all necessary regulatory and Exchange approvals.

These condensed interim 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 will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

Navco Pharmaceuticals Inc. (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, personal care products, textile, chemical and additive industries. The Company's products are tailored to defend against microorganisms such as viruses, bacteria, fungi, and infectious diseases.

NAVCO PHARMACEUTICALS INC.

(Formerly BMGB Capital Corp.)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended June 30, 2023 and 2022

1. Nature and continuance of operations (cont'd)

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 will future and be able to realize assets and discharge liabilities in the ordinary course of operations. During the period ended June 30, 2023, the Company incurred a net loss and comprehensive loss of \$3,481,839 (2022 - \$341,092) and had an accumulated deficit of \$5,146,570 as of June 30, 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.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in fiscal 2023.

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 August 29, 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 INC.

(Formerly BMGB Capital Corp.)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended June 30, 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. Reverse Takeover Transaction ("RT0")

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

5. Receivable

Current receivables consist of government harmonized sales taxes receivable at June 30, 2023 of \$27,560 (September 30, 2022 - \$55,869).

6. Inventory

Inventory at June 30, 2023 of \$3,474 (September 20, 2022 - \$3,019) consists of raw material costs to be used in production of the finished products.

NAVCO PHARMACEUTICALS INC.
(Formerly BMGB Capital Corp.)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the periods ended June 30, 2023 and 2022

7. 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 June 30, 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	8,343	7,542	10,706	17,707
June 30, 2023	26,771	24,286	43,083	85,287
Net Book Value September 30, 2022	28,712	83,764	106,759	219,235
Net Book Value June 30, 2023	20,369	76,222	96,083	192,674

8. 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, 2023 \$6,300 (2022 - \$6,300) was amortized and the value at June 30, 2023 was \$38,900 (September 30, 2022 - \$45,200). The Company is amortizing the asset over 7 years.

9. Accounts payable and accrued liabilities

	June 30, 2023	September 30, 2022
	\$	\$
Accounts payable	115,443	170,142
Accrued liabilities	3,200	32,458
Wages payable	12,344	12,344
	130,987	214,944

10. Secured loan and interest payable

A secured loan of \$78,500 was payable to BMGB Capital Corp by the private company Navco Pharmaceuticals Limited, however upon completion of the share exchange agreement, the loan and accrued interest was eliminated.

NAVCO PHARMACEUTICALS INC.
(Formerly BMGB Capital Corp.)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the periods ended June 30, 2023 and 2022

11. 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 June 30, 2023
	\$
2023	4,877
2024	19,741
2025	19,974
2026	19,974
2027	19,974
2028	19,974
Thereafter	29,961
Total lease payments	134,473
Discount	27,610
Payments on principal	106,863
Current principal payments	12,539
Long term portion	94,324

12. Share capital

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 June 30, 2023 (September 30, 2022 – 14,500,000). The transactions giving rise to these shares are as follows:

Shares issued during the period ended June 30, 2023

On April 13, 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. The company issued 21,340,000 shares, at a deemed price of \$0.15, representing an aggregate valuation for the Company of \$3,201,000. In conjunction with this transaction, the Company issued 340,000 shares for finder's fees with a fair value of \$51,000.

On April 13, 2023, the Company completed a private placement for gross proceeds of \$2,110,566, issuing 14,070,441 shares at \$0.15.

No shares were issued during the year ended September 30, 2022.

NAVCO PHARMACEUTICALS INC.

(Formerly BMGB Capital Corp.)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended June 30, 2023 and 2022

13. Related party transactions

The Company considers officers and members of the Board of Directors as related parties. Key management costs for the period 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.

14. 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.

15. Financial instruments and other instruments

	Ref.	June 30, 2023	September 30, 2022
		\$	\$
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 \$31,864 (September 30, 2022 - \$31,864) to government agencies are excluded.

NAVCO PHARMACEUTICALS INC.

(Formerly BMGB Capital Corp.)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended June 30, 2023 and 2022

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

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 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.

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.

NAVCO PHARMACEUTICALS INC.
(Formerly BMGB Capital Corp.)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the periods ended June 30, 2023 and 2022

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

Financial risks (cont'd)

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.

16. 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.

17. 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.

18. Supplemental disclosure with respect to cash flows

For the period ended June 30, 2023, there were no significant non-cash transactions.

For the period to June 30, 2022, \$2,533 in inventory costs were unpaid at the period end and were included in amounts due to related party.