

Financial Statements

NAVCO Pharmaceuticals Inc.



As at June 30, 2024

(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.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	June 30, 2024	September 30, 2023
ASSETS		\$	\$
Cash		11,211	234,670
Receivable	5	72,220	46,271
Inventory of supplies		1,868	1,868
Prepaid expenses	6	49,500	428,405
Total current assets		134,799	711,214
Non-current assets			
Plant and equipment	7	157,260	183,821
Intangible asset	8	659,264	36,800
Total non-current assets		816,524	220,621
TOTAL ASSETS		951,323	931,835
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	143,533	239,916
Amounts due to related parties	12	665,828	491,830
Other loans, unsecured with interest		27,755	8,800
Current portion of lease liability	10	13,808	12,876
Total current liabilities		850,924	753,422
Non-Current liabilities			
Lease liability	10	80,516	90,962
Total non-current liabilities		80,516	90,962
TOTAL LIABILITIES		931,440	844,384
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	11	4,016,746	3,347,982
Reserves	11	660,390	550,812
Accumulated deficit		(4,657,253)	(3,811,343)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		19,883	87,451
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		951,323	931,835

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Marek Jasinski"

Director

"Tom Jusdanis"

Director

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

NAVCO PHARMACEUTICALS INC .
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the periods ended June 30, 2024 and 2023
(Expressed in Canadian dollars)

	Notes	For the Three Months Ended June 30, 2024	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
		\$	\$	\$	\$
General and administrative expenses					
Consulting fees	12	52,000	445,071	403,998	494,225
Amortization		26,100	1,810	46,300	6,300
Depreciation		8,854	8,854	26,561	26,561
Interest on loan		5,865	(826)	5,865	1,963
Interest on lease		1,689	1,905	5,234	5,858
Management fees	12	56,226	35,350	186,750	81,550
Office and general		5,770	9,615	24,365	26,658
Professional fees		8,591	36,339	12,633	33,498
Transfer agent and filing fees		12,378	25,518	24,625	25,517
Share based payments			-	109,578	-
		177,474	563,636	845,910	702,130
Net loss before other items		(177,474)	(563,636)	(845,910)	(702,130)
Listing costs from reverse takeover transaction		-	(2,779,709)	-	(2,779,709)
Loss and comprehensive loss for the period		(177,474)	(3,343,345)	(845,910)	(3,481,839)
Basic and diluted loss per common share		(0.00)	(0.48)	(0.02)	(0.39)
Weighted average number of common shares outstanding		55,416,004	6,935,207	50,357,494	9,011,817

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

NAVCO PHARMACEUTICALS INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended June 30, 2024 and 2023

(Expressed in Canadian dollars)

		Number of shares	Share capital	Subscriptions Received	Reserves	Accumulated Deficit	Shareholders' Equity (Deficit)
			\$	\$	\$	\$	\$
Balance, September 30, 2022	*	21,340,000	876,625	-	-	(1,664,731)	(788,106)
Shares issued on reverse takeover to shareholders of BMGB		4,600,000	598,000	-	-	-	598,000
to finders		340,000	44,200	-	-	-	44,200
Shares issued in private placement		14,070,441	1,829,157		281,409	-	2,110,566
Net loss and comprehensive loss for the period		-	-	-	-	(3,481,839)	(3,481,839)
Balance, June 30, 2023		40,350,441	3,347,982	-	281,409	(5,146,570)	(1,517,179)
Share based payments		-	-	-	269,403	-	269,403
Net loss and comprehensive loss for the period		-	-	-	-	1,335,227	1,335,227
Balance, September 30, 2023		40,350,441	3,347,982	-	550,812	(3,811,343)	87,451
Balance, September 30, 2023	-	40,350,441	3,347,982		550,812	(3,811,343)	87,451
Shares issued on share exchange agreement to shareholders of SL Immuno Pharma		16,719,100	668,764		-	-	668,764
Share based payments		-	-		109,578	-	109,578
Net loss and comprehensive loss for the period		-	-		-	(845,910)	(845,910)
Balance, June 30, 2024		57,069,541	4,016,746		660,390	(4,657,253)	19,883

* On April 30, 2023, NAVCO Pharmaceuticals Limited exchanged its 14,500,000 for 21,340,000 shares of NAVCO Pharmaceuticals Inc., formerly BMGB Capital Corp. (the "Share Exchange"). The Share Exchange is reflected retrospectively in these financial statements.

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

NAVCO PHARMACEUTICALS INC.
STATEMENTS OF CASH FLOWS
For the periods ended June 30, 2024 and 2023
(Expressed in Canadian dollars)

	For the period ended June 30, 2024	For the period ended June 30, 2023
	\$	\$
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the period	(845,910)	(3,481,839)
Items not affecting cash		
Amortization	46,300	6,300
Depreciation	26,562	26,561
Interest on leases	5,234	5,858
Interest on loan	255	-
Share based costs	109,578	-
		2,779,709
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(96,383)	(262,699)
Amounts due related parties	173,998	(101,534)
Receivable	(25,950)	28,309
Prepaid	378,905	(322,321)
Inventory	-	(455)
	(227,411)	1,322,111
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Common shares issued for cash	-	2,110,566
Interest payments	-	(2,066)
Loan proceeds (repayments)	18,700	(51,787)
Lease payments	(14,748)	(14,121)
	3,952	2,042,592
Change in cash for the period	(223,459)	720,481
Cash, beginning of the period	234,670	1,535
Cash, end of the period	11,211	722,016

For the period ended June 30, 2024, non-cash transactions included fair value of \$668,564 for shares issued in a share exchange.

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

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

NAVCO PHARMACEUTICALS INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended June 30, 2024 and 2023

1. Nature and continuance of operations

NAVCO Pharmaceuticals Inc (the “Company”) was incorporated in the Province of British Columbia on April 21, 2018. The Company’s registered and records office is 5205 Harvester Road, Unit 1, Burlington, Ontario, Canada

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.

On April 13, 2023, the Company completed a reverse takeover transaction (the “RTO”) pursuant to a share exchange agreement (the “Share Exchange Agreement”) dated January 18, 2021, as amended, between the Company and NAVCO Pharmaceuticals Limited (“Private Co”). Pursuant to the RTO the Company acquired all of the outstanding shares in Private Co in exchange for 21,340,000 shares of the Company. Upon completion of the RTO, the shareholders of Private Co controlled the Company and accordingly, the transaction was accounted for as a reverse acquisition of the Company by Private Co and Private Co was identified as the accounting acquirer. The historical operation, assets and liabilities of Private Co are included as the comparative figures as at and for the period ended June 30, 2024, which is deemed to be the continuing entity for financial reporting purposes.

Concurrently with the RTO, the Company issued 340,000 shares in finder’s fees, closed a private placement for gross proceeds of \$2,110,566 and changed its name to NAVCO Pharmaceuticals Inc.

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 will be able to realize assets and discharge liabilities in the ordinary course of operations. During the period ended June 30, 2024, the Company incurred a net loss and comprehensive loss of \$845,910 (2023 - \$3,481,839) and had an accumulated deficit of \$ 4,657,253 as of June 30, 2024 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.

NAVCO Pharmaceuticals Inc. is in the business of developing and commercializing novel supplemental and therapeutic consumer health and wellness products, currently, in the areas of antibacterial & immunity support and infectious disease prevention. The Company has and continues to utilize nanotechnology and computerized nano-meter algorithms to create its growing portfolio of products that can enable it: to optimize health benefits with a high degree of precision, to use natural, known and safe compounds, and to offer new-methods-of-action and effective therapeutic delivery all via innovative particle science.

2. Material Accounting Policy Disclosure Information

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, 2023.

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, 2024.

NAVCO PHARMACEUTICALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the years ended June 30, 2024 and 2023

2. Material Accounting Policy Disclosure Information (cont'd)

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, 2023.

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, 2023. It does not expect the impact on the financial statements to be material, although additional disclosure may be required.

4. Reverse Takeover Transaction ("RTO")

On April 13, 2023, the Company ("BMGB") completed a share exchange agreement with NAVCO Pharmaceuticals Limited ("Private Co"). The transaction was a qualifying transaction pursuant to the policies of the TSX Venture Exchange.

At the time of the RTO, BMGB did not meet the definition of a business as defined under IFRS 3 "Business Combinations". Hence, the qualifying transaction was accounted for as an asset acquisition in accordance with IFRS 2, "Share-Based Payment". Private Co was identified as the accounting acquirer that issued shares to acquire all the net asset of BMGB, the accounting acquiree, and its listing status. The financial statements are considered to be a continuation of the financial statements of Private Co, the accounting acquirer.

Under the terms of the agreement, Private Co shareholders exchanged 100% of their shares of Private Co and received 21,340,000 shares of BMGB. The resulting issuer became the listed entity under the name of NAVCO Pharmaceuticals Inc. Subsequent to the transaction, 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 difference between the fair value of the consideration paid and the fair value of the assets has been expensed and is included in reverse acquisition transaction costs in the statements of loss and comprehensive loss. The fair value of the consideration paid is based on the actively traded share price of the Company subsequent to the transaction.

Concurrent with the RTO, the Company issued 340,000 shares in finder's fees, closed a private placement for gross proceeds of \$2,110,566 and changed its name to NAVCO Pharmaceuticals Inc..

Fair value of consideration transferred -

4,600,000 shares issued at a determined price of \$0.13 per share	\$ 598,000
<hr/>	
Net assets of BMGB acquired	
Loan and interest receivable	94,747
Accounts payable	(90,718)
	<hr/> 4,029
Difference, reverse acquisition expense	593,971
Add costs of transaction	
Finder's fee of 340,000 shares at \$0.13 per share	44,200
Legal costs	28,877
Total cost of reverse takeover transaction	<hr/> \$ 667,048 <hr/>

NAVCO PHARMACEUTICALS INC.**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

For the years ended June 30, 2024 and 2023

5. Receivable

Current receivables consist of government harmonized sales taxes receivable at June 30, 2024 of \$72,220 (September 30, 2023 - \$46,271).

6. Prepaid expenses

Prepaid expenses consist of prepaid consulting fees at June 30, 2024 of \$49,500 (September 30, 2023 - \$428,405).

7. Plant and equipment

	Leasehold Improvements	Equipment	Right to Use Assets	Total
	\$	\$	\$	\$
Costs				
September 30, 2023	47,140	100,508	139,166	286,814
Additions	-	-	-	-
June 30, 2024	47,140	100,508	139,166	286,814
Depreciation				
September 30, 2023	29,552	26,800	46,641	102,993
Depreciation	8,343	7,542	10,676	26,561
June 30, 2024	37,895	34,342	57,317	129,555
Net Book Value at September 30, 2023	17,588	73,708	92,525	183,821
Net Book Value at June 30, 2024	9,245	66,166	81,849	157,260

8. Intangible asset

On June 30, 2020, the Company entered into an Intellectual Property Assignment Agreement 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.

On January 18, 2024, the Company entered into a Share Exchange Agreement with SL Immuno Pharma Corp., an arms' length entity, to which the company acquired all of the issued and outstanding common shares of SL Immuno in exchange for common shares of Navco on a 1:1 exchange ratio. Pursuant to the Acquisition, NAVCO acquired all the shares of SL Immuno for 16,719,100 common shares, valued at \$0.04 per share for a total value of \$668,764.

During the period ended June 30, 2024, \$46,300 (2023 - \$6,300) was amortized and the value at June 30, 2024 was \$659,264 (September 30, 2023 - \$36,800). The Company is amortizing the asset over 7 years.

9. Accounts payable and accrued liabilities

	June 30, 2024	September 30, 2023
	\$	\$
Accounts payable	128,989	108,277
Accrued liabilities	2,200	119,295
Wages payable	12,344	12,344
	143,533	239,916

NAVCO PHARMACEUTICALS INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended June 30, 2024 and 2023

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%.

Future lease payment are as follows:	Period ended June 30, 2024 \$
2024	4,993
2025	19,974
2026	19,974
2027	19,974
2028	19,974
Thereafter	29,960
Total lease payments	114,848
Discount	20,524
Payments on principal	94,324
Current principal payments	13,808
Long term portion	80,516

11. Share capital

a) *Authorized share capital*

Unlimited number of common shares without par value.

Issued share capital

There are 57,069,541 shares issued and outstanding as at June 30, 2024. (September 30, 2023 - 40,350,441)

The transactions giving rise to these shares are as follows:

Shares issued during the period ended June 30, 2024.

On January 18, 2024, in connection with a share exchange agreement, the Company issued 16,719,100 shares in the acquisition of all the issued and outstanding shares of SL Immuno Pharma Corp. with a fair value of \$668,764.

NAVCO PHARMACEUTICALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the years ended June 30, 2024 and 2023

11. Share capital (cont'd)

Shares issued during the year ended September 30, 2023

On April 13, 2023, the Company completed a share exchange agreement with NAVCO Pharmaceuticals Limited, issuing 4,600,000 shares with a fair value of \$598,000. Finder's fees of \$340,000 were paid in accordance with the agreement.

On April 13, 2023, the Company closed a private placement financing for gross proceeds of \$2,110,566 through the issuance of an aggregate of 14,070,441 units at a price of \$0.15 per Unit. Each Unit is comprised of one common share of the Company and one common share purchase warrant exercisable for an additional share for two years at an exercise price of \$0.25.

b) Warrants

The Company issued 14,071,441 share warrants as part of the private placement on April 13, 2023. The fair value of the warrants was \$0.02 each as this represented the difference between the post transaction trading price of the shares of \$0.13 and the unit price of \$0.15. The total of \$281,409 was credited to reserves.

On February 9, 2024, the warrants price was amended to \$0.10. The warrants, as amended, will be subject to an accelerated expiry provision such that, if for any 10 consecutive trading days during the unexpired term of the warrants, the closing price of the company's common shares on the TSX Venture Exchange exceeds 12.5 cents (representing the amended warrant exercise price of 10 cents plus 25 per cent), the exercise period of the warrants will be reduced to 30 days, starting seven days after the last premium trading day. The company will announce any such accelerated expiry date by press release. All other terms of the warrants remain unchanged.

As at June 30, 2024 and September 30, 2023, there were 14,071,441 warrants outstanding with an exercise price of \$0.10 per share expiring on April 13, 2025.

c) Stock options

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option will not be less than the discounted market price of the common shares as permitted by the Exchange policies, and provided that, if the Company is a CPC, the option price shall not be lower than the IPO share price. The options can be granted for a maximum term of 10 years.

c) Stock options

During the period ended June 30, 2024, the Company granted 3,900,000 options, exercisable for 10 years from the date of grant at a price of \$0.05, to officers, and consultants.

NAVCO PHARMACEUTICALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the years ended June 30, 2024 and 2023

11. Share capital (cont'd)

d) Stock options (cont'd)

The following table summarizes information about stock options outstanding and exercisable:

	June 30, 2024		September 30, 2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Outstanding, beginning of the year	2,150,000	0.15	-	-
Granted	3,900,000	0.05	2,300,000	0.15
Cancelled	(700,000)	0.15	150,000	0.15
Outstanding and exercisable, end of the year	5,350,000	0.08	2,150,000	0.15

At June 30, 2024, the following warrants were outstanding and exercisable:

Number of Options Outstanding	Number of	Exercise price (\$)	Expiry date
1,450,000	1,450,000	0.15	April 13, 2033
3,900,000	3,900,000	0.05	March 14, 2034
5,350,000	5,350,000		

The weighted average remaining life of stock options at June 30, 2024 was 9.7years.

During the six months ended June 30, 2024, the Company granted 3,900,000 stock options, exercisable at \$0.05 per share for a term of 10 years. The options vested upon grant. The Company determined the grant date fair value of \$109,578, which was recognized as share based compensation.

The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes Options Pricing Model.

The weighted average of the inputs used in the calculation of the fair value of the stock options on the date of issue are as follows:

	<u>June 30, 2024</u>	<u>September 30, 2023</u>
Volatility	172.58%	115.75%
Expected life	10 years	10 years
Risk-free interest rate	3.44%	3.86%
Expected dividend yield	0.00%	0.00%

NAVCO PHARMACEUTICALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the years ended June 30, 2024 and 2023

Share capital (cont'd)

e) Reserves

Reserves relate to the value of stock options granted, warrants issued as part of a unit offering and as compensatory options and warrants that have been issued by the Company.

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 June 30, 2024, is \$292,816 (2023 - \$153,583). 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, 2024	Period ended June 30, 2023
	\$	\$
CEO management fees, accrued or paid	72,000	22,500
CFO management fees, accrued or paid	31,500	19,600
Management fees paid or accrued to director	83,250	18,200
Consulting fees paid or accrued to a company controlled by a director	-	34,833
Management fees and director fees to a former CEO	-	48,000
Management fees paid to a former CFO	-	10,450
Share based payments	106,066	-
Total	292,816	153,583

As at June 30, 2024, an amount of \$638,218 (September 30, 2023 - \$469,880) was due to related parties for unpaid fees, lease and advances, and \$27,610 in loans (September 30, 2023 - \$21,950). The amounts are unsecured, without interest and due on demand.

13. Financial instruments and other instruments

	<i>Ref.</i>	June 30, 2024	September 30, 2023
		\$	\$
Other financial assets	a	11,211	234,670
Other financial liabilities	b	936,493	829,437

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 \$14,947 (September 30, 2023 - \$14,947) 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:

Financial instruments and other instruments (cont'd)

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, 2024, 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.

Liquidity risk (cont'd)

As at June 30, 2024, the Company had a cash balance of \$11,211 (September 30, 2023 - \$234,670) to settle current liabilities of \$850,924 (September 30, 2023 - \$753,422). 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, 2024, the Company was not exposed to significant interest rate risk.

NAVCO PHARMACEUTICALS INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended June 30, 2024 and 2023

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

Market risk (cont'd)

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.

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.

15. 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.