

NAVCO PHARMACEUTICALS INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Period Ended June 30, 2024

This Management Discussion and Analysis (“MD&A”) of NAVCO Pharmaceuticals Inc (“NAVCO” or the “Company”) has been prepared by management as of August 29, 2024, and should be read together with the financial statements and related notes for the period ended June 30, 2024 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 5205 Harvester Road, Unit 1, Burlington, Ontario, Canada.

On April 13, 2023, the Company (“BMGB”) completed a share exchange agreement with NAVCO Pharmaceutical 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 entity 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.

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.

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Fair value of consideration transferred	
4,600,000 shares issued at a determined price of \$0.13 per share	\$ 598,000
Net assets of BMGB acquired	
Loan and interest receivable	94,747
Accounts payable	(90,718)
	4,029
Difference, charged to cost of reverse takeover transaction	593,971
Add costs of transaction	
Fair value of 340,000 shares issued for finders fees at a determined price of \$0.13 per share	44,200
Legal costs	28,877
	\$ 667,048

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 nanometer 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.

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.

On February 9, 2024, the Company announced that exercise price of 14,070,441 common share purchase warrants originally issued on April 13, 2023 with an exercise price of \$0.25 per common share were amended to \$0.10 per Common Share. 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.

On March 14, 2024, the Company granted 3,900,000 options to officers, and consultants, exercisable for 10 years from issue date, at a price of \$0.05.

On April 12, 2024, the Company announced that it entered a contract with SOF Marketing for \$300,000 to broaden the company's reach within the investment community, to increase investor awareness of the company, and to attract potential new investors through various on-line platforms and methods of engagement. The marketing services include project management, rebranding, social media marketing, consulting for an on-line marketing campaign, coordinating marketing actions, maintaining and optimizing AdWords campaigns, adapting AdWords bidding strategies, optimizing AdWords ads, and creating and optimizing landing pages. The promotional activity will include e-mail, Facebook and Google and will last till October 12, 2024.

On June 15, 2024, the Company announced that it is positioning itself to launch and commercialize its line of antimicrobial topical consumer products that provide active protection against microorganisms to help reduce the spread of bacteria, fungi, and infectious diseases. The line includes topical applications (spray and cream) for hand and skin cleansing, therapeutic treatment and for physical surfaces that does not allow the development of bacterial resistance. The lines' innovative nanoparticle derived products combine natural and known compounds, including silver.

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Selected Annual Information

The following table provides a summary of the Company's financial operations for years ended September 30, 2023, 2022 and 2021. For more detailed information, refer to the September 30, 2023 audited financial statements.

	Year Ended September 30, 2023	Year Ended September 30, 2022	Year Ended September 30, 2021
	\$	\$	\$
Total revenue	-	58,734	15,525
General and administrative expenses	(1,479,564)	(523,862)	(541,787)
Loss and comprehensive loss for the year	(2,146,612)	(465,128)	(526,259)
Loss per share – basic and diluted	(0.07)	(0.03)	(0.04)
Total assets	981,835	324,857	351,055
Total liabilities	844,384	1,112,964	674,033

Summary of Quarterly Results

	Three Months Ending June 30, 2024	Three Months Ending March 31, 2024	Three Months Ending December 31, 2023	Three Months Ending September 30, 2023
	\$	\$	\$	\$
Revenue for the period	-	-	-	-
Net income (loss) for the period	(177,474)	(396,489)	(271,947)	1,335,227
Loss per share	0.00	0.01	0.01	0.44

	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)

Results of Operations

For the period ended June 30, 2024:

The Company had \$nil in revenue from operations for the period ended June 30, 2024 and 2023. During the period ended June 30, 2024, the Company incurred a net loss of \$845,910 (2023 -\$3,481,839).

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The general and administrative expenses for the period ended June 30 are summarized below:

	2024	2023
	\$	\$
Consulting fees	403,998	494,225
Amortization	46,300	6,300
Depreciation	26,561	26,561
Interest on loan	5,865	1,963
Interest on lease	5,234	5,858
Management fees	186,750	81,550
Office and general	24,365	26,948
Professional fees	12,633	33,498
Transfer agent and filing fees	24,625	25,517
Share based payments	109,578	-

Significant changes in administrative expenses for the period ended June 30, 2024 included:

- Consulting fees of \$403,998 (2023 – \$494,225) were comparable to the prior year expenses related to the activities pertaining to corporate activities and reorganization;
- Amortization of \$46,300 (2023 - \$6,300) increased due to additions of intangible assets in the current period;
- Management fees of \$186,750 (2023 - \$81,550) increased due to increase activity related to the activities pertaining to corporate activities and reorganization;
- Transfer agent and filing fees of \$24,625 (2023 - \$25,517) which comparable to the previous fiscal year;
- Share Based payments of \$109,578 (2023 - \$nil) increased due to options issued in current period compared to nil in the prior year.

Liquidity and Capital Resources

At June 30, 2024, the Company reported a working capital deficit of \$716,125 (September 30, 2023 – \$42,208). 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). 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.

During the period ended June 30, 2024, cash used in operating activities was \$227,411 (2023 – provided by \$1,322,111). Cash used during the period consists primarily general and administrative expenses of \$845,910 (2023 - \$3,481,839) net of amortization of \$46,300 (2023 - \$6,300), depreciation of \$26,562 (2023 - \$26,561), interest on lease of \$5,234 (2023 - \$5,858), interest on loan of \$255 (2023 - \$nil) and share based costs of \$109,578 (2023 - \$nil). For the period ended June 30, 2024 the net increase in non-cash operating working capital items was \$430,570 (2023 –\$658,700)

During the period ended June 30, 2024, cash provided by financing activities was \$3,952 (2023 – \$2,042,592) which included loan proceeds of \$18,700 (2023 – repayments of \$51,787), lease payments of \$14,748 (2023 - \$14,121) and common shares issued for cash of \$nil (2023 - \$2,110,566).

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.

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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, 2023. 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 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, accrued or paid	72,000	22,500
CFO management fees, accrued or paid	31,500	19,600
Management fees accrued or paid to directors	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.

Financial Instruments and Other Instruments

	<i>Ref.</i>	<i>June 30, 2024</i>	<i>September 30, 2023</i>
		\$	\$
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 - \$14,497) 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.

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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, 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.

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.

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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 57,069,541 shares issued and outstanding as at the date of this report.

Stock options

There are 5,350,000 options issued and exercisable as at the date of this report.

Warrants

There are 14,070,441 warrants issued and exercisable as at the date of this report.