

Financial Statements

NAVCO Pharmaceuticals Inc.



As at September 30, 2024

(Expressed in Canadian dollars)

NAVCO PHARMACEUTICALS INC.
INDEX TO THE AUDITED FINANCIAL STATEMENTS
Years Ended September 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
NAVCO Pharmaceuticals Inc.:

Opinion

I have audited the accompanying financial statements of NAVCO Pharmaceuticals Inc., which comprise the statements of financial position as at September 30, 2024 and 2023 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended including material accounting policy information.

In my opinion, these financial statements present fairly, in all material respects, the financial position of NAVCO Pharmaceuticals Inc. as at September 30, 2024 and 2023 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audits in accordance with Canadian generally accepted auditing standards ("GAAS"). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with the requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the financial statements, which indicates that the Company has incurred net losses of \$5,533,894 since inception, has a working capital deficit of \$858,143 and has never made any sales of its products. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicated that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are matters arising from the current audit period of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective or complex judgments. The communication of key audit matters does not alter in any way my opinion on the consolidated financial statements, taken as a whole, and I am not, by communicating the key audit matters providing separate opinions on the key audit matters or on the accounts or disclosures to which they relate.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of my report, I have determined that the following key audit matter to communicate in my report.

Accounting for a Share Exchange

Description of the key audit matter

I draw attention to Note 2, *Significant accounting judgements, estimates and assumptions, Share-based payments and Business combinations* and Note 9 *Share exchange agreement*.

On January 18, 2024, the Company entered into a Share Exchange Agreement with SL Immuno Pharma Corp., ("Immuno") an arms' length entity whereby the Company acquired all of the issued and outstanding common shares of Immuno in exchange for 16,719,100 common shares of the Company, valued at \$668,764. The value was determined by the trading price of the shares at the time of issuance and the transaction was accounted for a Share based payment in the Statements of Loss and Comprehensive Loss.

The matter represents a significant risk of material misstatement given the magnitude of the transaction, the complexity surrounding the existence and value of the purchase.

My approach in addressing this matter included the following procedures, among others:

- Evaluated management’s analysis of the transaction and application of the guidance from IFRS 2, *Share-based Payment*, and IFRS 3, *Business Combinations*.
- Performed procedures to corroborate management assumptions and judgment to support documentation.
- Reviewed the appropriateness of the assumptions used by management as to what the Company received in the transaction and whether or not it met the definition of an asset.
- Assessed the presentation and accuracy of the note disclosure (Note 9).

Other information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audits or otherwise appears to be materially misstated. I obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibility

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If I conclude that a material

uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, amount other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

R. Maugster Ltd.

Chartered Professional Accountant

North Vancouver, Canada
February 10, 2025

NAVCO PHARMACEUTICALS INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	September 30, 2024	September 30, 2023
ASSETS		\$	\$
Cash		7,350	234,670
Receivable	5	66,456	46,271
Inventory of supplies		-	1,868
Prepaid expenses	6	-	428,405
Total current assets		73,806	711,214
Non-current assets			
Plant and equipment	1 & 7	1,385	183,821
Intangible asset	1 & 8	-	36,800
Total non-current assets		1,385	220,621
TOTAL ASSETS		75,191	931,835
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	203,828	239,916
Amounts due to related parties	11	663,835	491,830
Other loans	12	54,500	8,800
Current portion of lease liability	13	9,786	12,876
Total current liabilities		931,949	753,422
Non-Current liabilities			
Lease liability	13	-	90,962
Total non-current liabilities		-	90,962
TOTAL LIABILITIES		931,949	844,384
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	14	4,016,746	3,347,982
Reserves	14	660,390	550,812
Accumulated deficit		(5,533,894)	(3,811,343)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		(856,758)	87,451
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		75,191	931,835

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Jatinder Dhaliwal"

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 years ended September 30, 2024 and 2023
(Expressed in Canadian dollars)

	Notes	Year Ended September 30, 2024	Year Ended September 30, 2023
		\$	\$
Expenses			
Amortization		6,300	8,400
Consulting fees	11	458,998	900,037
Depreciation		27,253	35,414
Interest on loan		10,587	4,753
Interest on lease		5,461	7,710
Management fees	11	186,750	167,800
Office and general		40,070	34,919
Professional fees		74,873	25,048
Share based payments	9	778,342	269,403
Transfer agent and filing fees		28,006	26,080
		<u>1,616,640</u>	<u>1,479,564</u>
Net loss before other items		(1,616,640)	(1,479,564)
Impairment of intangible asset	1 & 8	(30,500)	-
Impairment of plant and equipment	1 & 7	(75,411)	-
Listing costs from reverse takeover transaction	4	-	(667,048)
		<u>(1,722,551)</u>	<u>(2,146,612)</u>
Loss and comprehensive loss for the year		<u>(1,722,551)</u>	<u>(2,146,612)</u>
Basic and diluted loss per common share		<u>(0.03)</u>	<u>(0.07)</u>
Weighted average number of common shares outstanding		<u>52,044,675</u>	<u>30,194,178</u>

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

NAVCO PHARMACEUTICALS INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended September 30, 2024 and 2023
(Expressed in Canadian dollars)

	Number of shares	Share capital	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 (Note 4)					
To shareholders	4,600,000	598,000	-	-	598,000
For finder's fees	340,000	44,200	-	-	44,200
Shares issued in private placement	14,070,441	1,829,157	281,409	-	2,110,566
Share based payments	-	-	269,403	-	269,403
Net loss and comprehensive loss for the year	-	-	-	(2,146,612)	(2,146,612)
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 (Note 9)	16,719,100	668,764	-	-	668,764
Share based payments	-	-	109,578	-	109,578
Net loss and comprehensive loss for the year	-	-	-	(1,722,551)	(1,722,551)
Balance, September 30, 2024	57,069,541	4,016,746	660,390	(5,533,894)	(856,758)

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

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

	Year Ended September 30, 2024	Year Ended September 30, 2023
	\$	\$
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the year	(1,722,551)	(2,146,612)
Items not affecting cash		
Amortization	6,300	8,400
Depreciation	27,253	35,414
Interest on leases	5,461	7,710
Interest on loan	1,677	2,685
Share based costs	778,342	269,403
Impairment of intangible asset	30,500	-
Impairment of property and equipment	75,411	-
Listing costs from reverse takeover	-	667,048
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(37,765)	(65,746)
Amounts due related parties	172,005	(136,349)
Receivable	(20,185)	9,598
Prepaid	428,405	(428,405)
Inventory	1,868	1,151
	(253,279)	(1,775,703)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Common shares issued for cash	-	2,110,566
Cash paid expenses on reverse takeover	-	(28,877)
Net loan proceeds (repayments)	45,700	(53,853)
Lease payments	(19,741)	(18,998)
	25,959	2,008,838
Change in cash for the year	(227,320)	233,135
Cash, beginning of the year	234,670	1,535
Cash, end of the year	7,350	234,670

Supplemental disclosure with respect to cash flows (Note 18)

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 September 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 as BMGB Capital Corp. (“BMGB”). The Company’s registered and records office is 5205 Harvester Road, Unit 1, Burlington, Ontario, Canada.

BMGB 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”).

The Qualifying Transaction was completed on April 13, 2023, when 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 year ended September 30, 2023, which is deemed to be the continuing entity for financial reporting purposes. The historical figures for equity amounts are those of the Company.

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 year ended September 30, 2024, the Company incurred a net loss and comprehensive loss of \$1,722,551 (2023 - \$2,146,612) and had an accumulated deficit of \$5,533,894 as of September 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. was in the business of developing and commercializing novel supplemental and therapeutic consumer health and wellness products, in the areas of antibacterial & immunity support and infectious disease prevention. It planned to do so by utilizing nanotechnology and computerized nano-meter algorithms to create a portfolio of products that would 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. However, after failing to generate anticipated sales revenue, the Company’s Board of Directors decided to refocus its operations by shifting to different segments of pharmaceutical production and sale or by changing to a completely different business model altogether. This resulted in the reduction in the carrying value of certain assets as their use was determined to be no longer required in the operation. Accordingly, the Company impaired intangible assets and plant and equipment assets reducing their value to nil.

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.

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

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 February 10, 2025.

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 year. 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.

Management must make significant judgments or assessments as to how financial assets and liabilities are categorized.

Significant judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The recoverability and measurement of deferred tax assets and liabilities

Tax interpretations, regulations, and legislation in the various jurisdictions the Company operates are subject to change. The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

The estimated useful lives and residual value of non-current assets

The calculation of depreciation and amortization involves estimates concerning the economic life and salvage value of equipment and the cost and economic life of intangible assets.

Leases

The Company applies judgement to determine whether an arrangement contains a lease. The evaluation requires the Company to determine whether a contract conveys the right to direct the use of an identified asset, the supplier has a substantive substitution right, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period and whether renewal options are reasonably certain of being exercised. For those arrangements considered to be a lease, further judgement is required to determine the lease term and the interest rate implicit in the lease.

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

Share-based payment transactions

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The fair value of share-based compensation of option grants is determined using the Black-Scholes option pricing model. Such option pricing models require the input of subjective assumptions, including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Plant and Equipment

Equipment is initially recorded at cost. When the assets are put in use, they will be amortized over their estimated useful lives, using the methods and rates noted below. Once equipment has been amortized to a nominal net book value, the balances are written off. Plant and equipment is being depreciated on a straight-line basis at the following rates: Equipment – 10 years. Right to use assets and leasehold improvements are being depreciated on a straight-line basis over the term of the lease.

Financial instruments

The Company follows IFRS 9, *Financial Instruments*, which applies uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The classification is based on two criteria: the Company's business objectives for managing the assets; and whether the financial instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI test"). Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

Financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

Financial assets

The Company initially recognizes financial assets at fair value on the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Classification and measurement

Under IFRS 9, financial assets are initially measured at fair value. In the case of a financial asset not categorized as fair value through profit or loss ("FVTPL"), transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net income (loss). Subsequent classification and measurement of financial assets depends on the Company's business objective for managing the asset and the cash flow characteristics of the asset:

- (i) Amortized cost – Financial assets held for collection of contractual cash flows that meet the SPPI test are measured at amortized cost.
- (ii) Fair value through other comprehensive income ("FVOCI") – Financial assets held to achieve a particular business objective other than short-term trading are designated at FVOCI. IFRS 9 also provides the ability to make an irrevocable election at initial recognition of a financial asset, on an instrument-by-instrument basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVOCI.

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

- (iii) There is no recycling of gains or losses through net income (loss). Upon derecognition of the asset, accumulated gains or losses are transferred from other comprehensive income (“OCI”) directly to Deficit.
- (iv) FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. The Company measures cash at amortized cost.

Impairment of financial assets

An expected credit loss (ECL) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the statement of loss and comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The subsequent measurement of financial liabilities is determined based on their classification as follows:

- (i) FVTPL – Derivative financial instruments entered into by the Company that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net income (loss).
- (ii) Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net income (loss) when the liabilities are derecognized as well as through the amortization process.

The company measures accounts payable and accrued liabilities, amounts due related parties, loans payable and lease payable at amortized cost.

Intangible asset

Intangible asset represents the cost of obtaining proprietary nano technology, amortized over its estimated useful life of 7 years. At the outset, the price was supported by the expected cash the application would generate.

Share capital

The Company’s common shares and share warrants are classified as equity instruments. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effect. Equity instruments issued for non-monetary consideration are recorded at fair value on the date they were issued or on the date the agreement was entered into.

Proceeds from unit placements are allocated between common shares and share warrants using the residual method. That is, the Company estimates the fair value of the common shares based on their market price on the share issuance date. The residual difference, if any, between the unit price and the fair value of each common share represents the fair value attributable to each warrant.

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share based payments

The Company makes periodic grants of share-based awards to selected directors, officers and others. The fair value of the equity-settled awards is determined at the date of the grant by using the Black-Scholes Option Pricing Model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed and recorded.

The expense recognized as share-based compensation is offset by a corresponding entry within reserves.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the consolidated statement of loss and comprehensive loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Leases

The Company has accounted for leases in accordance with IFRS 16, *Leases*. Contract arrangements are reviewed to determine if the agreement includes identifiable assets that the Company has the right to obtain sustainably all the economic benefits from the use of the asset during the period of use. A right-to-use asset and lease liability are created based on the amortized value discounted by the implicit interest rate in the agreement or the calculated corporate borrowing rate. The Right-to-Use assets are included in plant and equipment.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. New standards, amendments and interpretations

The Company adopted IAS 1 effective October 1, 2023. This standard clarifies how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The adoption of this new standard did not impact the Company's financial statements.

The Company has reviewed the impact of new and amended standards that are effective for annual periods beginning on or after October 1, 2024. 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 ("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 assets 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
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Total cost of reverse takeover transaction	\$ 667,048

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5. Receivable

Current receivables consist of government harmonized sales taxes receivable at September 30, 2024 of \$66,456 (September 30, 2023 - \$46,271).

6. Prepaid expenses

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

7. Plant and equipment

Equipment and leasehold improvements were determined to be fully impaired as at July 1, 2024. See Note 1. Right to Use assets, were reduced by the remeasurement of the lease liability brought about by the certainty of not to extend the lease.

	Leasehold Improvements	Equipment	Right to Use Assets	Total
	\$	\$	\$	\$
Costs				
September 30, 2023	47,140	100,508	139,166	286,814
Additions	-	-	-	-
Reduction from remeasurement of lease liability (Note 12)			(79,772)	(79,772)
September 30, 2024	47,140	100,508	59,394	207,042
Depreciation				
September 30, 2023	29,552	26,800	46,641	102,993
Depreciation	8,343	7,542	11,368	27,253
September 30, 2024	37,895	34,342	58,009	130,246
Impairment charge, 2024	9,245	66,166	-	75,411
Net Book Value at September 30, 2023	17,588	73,708	92,525	183,821
Net Book Value at September 30, 2024	-	-	1,385	1,385

8. Intangible assets

Intangible assets were fully impaired as at July 1, 2024. See Note 1.

On June 30, 2020, the Company entered into an Intellectual Property Assignment Agreement whereby certain intellectual property was acquired in exchange for 1,170,000 common shares, valued at \$0.05 per share for a total value of \$58,500. During the year ended September 30, 2024, \$6,300 (2023 - \$8,400) was amortized and the value as September 30, 2024 was \$Nil (2023 - \$36,000).

9. Share exchange agreement

On January 18, 2024, the Company entered into a Share Exchange Agreement with SL Immuno Pharma Corp. ("Immuno"), an arms' length entity whereby the Company acquired all of the issued and outstanding common shares of Immuno in exchange for common shares of NAVCO on a 1:1 exchange ratio. The value of the transaction was recorded at \$668,764, representing 16,719,100 shares at the fair value at the time of \$0.04.

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9. Share exchange agreement (cont'd)

The Company acquired Immuno in order to obtain certain trade secrets with the anticipation that it would enhance the Company's supplemental and therapeutic consumer health and wellness products. At the time of acquisition there was uncertainty on whether the acquisition would yield any future benefits to the Company and therefore did not meet the definition of an asset. Accordingly, the Company included the \$688,764 in the statement of loss and comprehensive loss as share based payments, along with \$109,578 for share option grants. (See Note 14(c).)

10. Accounts payable and accrued liabilities

	September 30, 2024	September 30, 2023
	\$	\$
Accounts payable	171,607	108,277
Accrued liabilities	19,877	119,295
Wages payable	12,344	12,344
	<u>203,828</u>	<u>239,916</u>

11. Related party balances and transactions

The Company considers officers and members of the Board of Directors as related parties. Key management costs for the year ended September 30, 2024 was \$292,816 (2023 - \$397,400). Remuneration was made to the following officers and directors and their close family members, or to companies controlled by these officers and directors:

	Year ended September 30, 2024	Year ended September 30, 2023
	\$	\$
Management fees, accrued or paid to the CEO	72,000	45,000
Management fees, accrued or paid to the CFO	31,500	30,100
Management and director fees, accrued or paid to the COO and director	72,000	72,000
Management fees, paid or accrued to the corporate secretary and director	11,250	20,700
Management fees paid to a company controlled by the COO and director	-	34,833
Share based payments	106,066	193,267
Rent paid or accrued to CFO	-	1,500
Total	<u>292,816</u>	<u>397,400</u>

As at September 30, 2024, an amount of \$631,588 (September 30, 2023 - \$469,880) was due to related parties for unpaid fees, lease and advances, and \$32,247 in loans (September 30, 2023 - \$21,950). The loans are unsecured, without interest and due on demand.

12. Other loans

	September 30, 2024	September 30, 2023
	\$	\$
Unsecured loan, bearing interest at 15%, due May 31, 2025	20,000	-
Unsecured loan, bearing interest at 15% due August 1, 2025	27,000	-
Other unsecured loans, due on demand	7,500	8,800
	<u>54,500</u>	<u>8,800</u>

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13. Lease liability

The Company entered into 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 called 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. At this time the option to renew was likely to be exercised and the lease extended a further 5 years and the net present value was calculated to include the additional 5 year term.

However, as the Company has now informed the landlord that it would not be renewing its lease and would be vacating the premise at the end of the contracted term of March 31, 2025, the term of the lease has been remeasured resulting in a value of \$14,552 as at July 1, 2024. The reduction of \$79,771 has been recorded as a reduction in the right to use assets according to the requirements of IFRS 16.

The present value of the payments was discounted at 7%.

Future lease payment are as follows:

	\$
Lease payments to March 31, 2025	9,787
Discount	201
Lease Liability	9,786

14. 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 September 30, 2024. (September 30, 2023 - 40,350,441)

The transactions giving rise to these shares are as follows:

Shares issued during the year ended September 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.

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.

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14. Share capital (cont'd)

b) Warrants (cont'd)

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.

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.

During the year ended September 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.

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

	September 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 September 30, 2024, the following warrants were outstanding and exercisable:

Number of Options	Number of	Exercise price	Expiry date
Outstanding		(\$)	
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 September 30, 2024 was 9.7years.

During the year ended September 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:

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14. Share capital (cont'd)

c) Stock options (cont'd)

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Volatility	172.58%	147.35%
Expected life	5 years	5 years
Risk-free interest rate	3.44%	3.08%
Expected dividend yield	0.00%	0.00%
Fair value per option	\$0.03	\$0.12

d) 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.

15. Financial instruments and other instruments

	<i>Ref.</i>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
		\$	\$
Other financial assets	a	7,350	234,670
Other financial liabilities	b	917,002	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.

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

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

Financial risks (cont'd)

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 September 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 September 30, 2024, the Company had a cash balance of \$7,350 (September 30, 2023 - \$234,670) to settle current liabilities of \$931,949 (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, advances from related parties and small loans from third 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 September 30, 2024, 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. 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.

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16. Management of capital (cont'd)

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.

17. Segment information

The Company has no segment information as it is in the process of considering its options.

18. Supplemental disclosure with respect to cash flows

For the year ended September 30, 2024, non-cash transactions included:

- a) the fair value of \$668,764 for shares issued in a share exchange, which was recorded as a share-based payment expense (see Note 9), and
- b) an adjustment of \$79,771 in lease liability and right to use assets arising from remeasurement of lease term.

For the year ended September 30, 2023, \$92,062 of loan and interest payable were eliminated and an additional \$90,718 of payables was included. The net of \$4,029, represents the fair value of the assets of BMGB that were effectively purchased as a result of the RTO (see Note 4).

19. Income Taxes

The Company's income tax provision differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 26.5% to the net loss before income taxes as follows:

	September 30, 2024	September 30, 2023
	\$	\$
Net loss for the year	(1,722,551)	(2,146,612)
Expected income tax (recovery)	(456,000)	(569,000)
Permanent differences	29,000	230,000
Rounding	-	(2,000)
Unrecognized tax benefits	427,000	341,000
Income tax recovery	-	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

	September 30, 2024	September 30, 2023
	\$	\$
Non-capital losses	962,000	742,000
Right-to-use asset	2,000	3,000
Equipment	39,000	15,000
Intangible asset	193,000	6,000
Share issue costs	12,000	15,000
Valuation allowance	(1,208,000)	(781,000)
Deferred tax assets recognized	-	-

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19. Income taxes (cont'd)

The significant components of the Company's deferred tax assets and liabilities are as follows:

As at September 30, 2024, the Company has accumulated a non-capital loss for Canadian income tax purposes of approximately \$3,630,400 that may be applied to reduce future taxable income. The ability to utilize this loss expires as follows:

Year of expiry	\$
2040	673,000
2041	503,400
2042	434,800
2043	1,188,200
2044	831,000
<hr/>	
Total	3,630,400
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