

# **MARVEL BIOSCIENCES CORP.**

## CONSOLIDATED FINANCIAL STATEMENTS

**For the Years Ended July 31, 2021 and 2020**

Stated in Canadian Dollars

To the Shareholders of Marvel Biosciences Corp. (formerly Marvel Biotechnology Inc.):

## Opinion

We have audited the consolidated financial statements of Marvel Biosciences Corp. (formerly Marvel Biotechnology Inc.) (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2021 and July 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at July 31, 2021 and July 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred operating losses from inception and has no recurring revenue sources. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

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

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

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

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated 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 either intends to liquidate the Company or to cease operations, 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 Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 our 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad Frampton.

Calgary, Alberta  
November 15, 2021

*MNP* LLP  
Chartered Professional Accountants

# MARVEL BIOSCIENCES CORP.

Consolidated Statements of Financial Position  
(Stated in Canadian dollars)

As at July 31,

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 2,393,144	\$ 224,810
Goods and services taxes receivable	59,106	35,840
Prepaid and deposits (notes 5 and 13)	15,750	35,000
Total current assets	2,468,000	295,650
Property and equipment (note 6)	152	337
<b>Total assets</b>	<b>\$ 2,468,152</b>	<b>\$ 295,987</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 112,477	\$ 153,827
Due to related party (note 13)	-	23,356
Total current liabilities	112,477	177,183
Shareholders' equity:		
Share capital (note 8)	6,459,569	898,432
Contributed surplus	99,522	384,442
Deficit	(4,203,416)	(1,164,070)
Total shareholder's equity	2,355,675	118,804
<b>Total liabilities and shareholder's equity</b>	<b>\$ 2,468,152</b>	<b>\$ 295,987</b>

Nature of operations and continuance of business (note 1)

Approved and authorized for issuance on behalf of the Board of Directors on November 15, 2021:

signed "Rod Matheson"

J. Roderick Matheson, CEO and Director

signed "Jeremy Fehr"

Audit Chair and Independent Director

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

# MARVEL BIOSCIENCES CORP.

Consolidated Statements of Loss and Comprehensive Loss  
(Stated in Canadian dollars)

For the years ended July 31, 2021 and 2020

	2021	2020
<b>Expenses</b>		
Share-based compensation (note 10,13)	\$ -	\$ 384,442
Management consulting fees (note 13)	495,114	286,843
Clinical study expense (note 13)	613,099	265,200
Professional fees	86,562	43,809
General and administrative expenses	52,639	35,808
Transaction costs (note 4)	1,911,351	-
Travel expense	1,403	1,779
Bank charges	1,968	719
Transfer agent and filing fees	950	-
Depreciation (note 6)	185	413
	<u>3,163,271</u>	<u>1,019,013</u>
<b>Loss before other items</b>	<b>(3,163,271)</b>	<b>(1,019,013)</b>
<b>Other items</b>		
Interest income	239	403
Foreign exchange gain (loss)	6,876	(570)
Contract termination settlement (note 13)	(35,000)	-
Government SR&ED tax credits (note 12)	151,810	63,523
	<u>123,925</u>	<u>63,356</u>
<b>Net loss and comprehensive loss</b>	<b>\$ (3,039,346)</b>	<b>\$ (955,657)</b>
<b>Weighted average shares outstanding</b>	<b>17,697,166</b>	<b>7,370,345</b>
<b>Loss per share (note 9)</b>	<b>\$ (0.17)</b>	<b>\$ (0.13)</b>

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

# MARVEL BIOSCIENCES CORP.

Consolidated Statements of Cash Flows  
(Stated in Canadian dollars)

For the years ended July 31, 2021 and 2020

	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operations</b>		
Net loss	\$ (3,039,346)	\$ (955,657)
Items not involving cash:		
Share-based compensation (note 10)	-	384,442
Listing expense (Note 4)	1,748,201	-
Contract termination settlement (note 13)	35,000	-
Depreciation (note 6)	185	413
	(1,255,960)	(570,802)
Change in non-cash working capital		
Good and services taxes receivable	(23,266)	(35,840)
Prepaid and deposits (note 5)	(15,750)	(35,000)
Accounts payable and accrued liabilities (note 7)	(75,600)	103,107
<b>Net cash used in operations</b>	<b>(1,370,575)</b>	<b>(538,535)</b>
<b>Investing activities</b>		
Cash acquired on reverse takeover transaction (Note 4)	381,573	-
<b>Net cash from investing activities</b>	<b>381,573</b>	<b>-</b>
<b>Financing</b>		
Issuance of common shares, net of share issue costs (note 8)	3,180,692	758,422
Proceeds (repayment) to related party (note 13)	(23,356)	4,752
<b>Net cash provided from financing activities</b>	<b>3,157,336</b>	<b>763,174</b>
Increase in cash	2,168,334	224,639
Cash, beginning of year	224,810	171
<b>Cash, end of year</b>	<b>\$ 2,393,144</b>	<b>\$ 224,810</b>

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

# MARVEL BIOSCIENCES CORP.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)  
(Stated in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, July 31, 2019	\$ 10	\$ -	\$ (208,413)	\$ (208,403)
Private placements, net of share issue costs (note 8)	898,422	-	-	898,422
Share-based compensation (note 10)	-	384,442	-	384,442
Net loss	-	-	(955,657)	(955,657)
<b>Balance, July 31, 2020</b>	<b>\$ 898,432</b>	<b>\$ 384,442</b>	<b>\$ (1,164,070)</b>	<b>\$ 118,804</b>
Private placements, net of share issue costs (note 8)	3,055,692	-	-	3,055,692
Exercise of share-purchase warrants (note 8)	418,318	(293,318)	-	125,000
Issuance of broker warrants	(8,398)	8,398	-	-
Amalgamation of Alphanco Venture Corp. (note 4)	2,095,525	-	-	2,095,525
Net loss	-	-	(3,039,346)	(3,039,346)
<b>Balance, July 31, 2021</b>	<b>\$ 6,459,569</b>	<b>\$ 99,522</b>	<b>\$ (4,203,416)</b>	<b>\$ 2,355,675</b>

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

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Stated Amounts in Canadian dollars)

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## 1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Marvel Biosciences Corp. (“Marvel” or the “Company”) (formerly “Alphanco Ventures Corp.”) is a biotechnology company that was incorporated on August 1, 2018 under the laws of the Province of British Columbia. The Company continued from British Columbia to Alberta on June 14, 2021. The Company’s head office is 420, 505 8<sup>th</sup> Ave SW, Calgary, Alberta T2P 1G2 and the registered office is 3<sup>rd</sup> Floor, 14505 Bannister Road SE, Calgary Alberta T2X 3J3.

Alphanco Venture Corp. (“AVC”) was a capital pool company listed on the TSX Venture Exchange (the “TSXV”) that received conditional approval from the TSXV for its acquisition of all of the outstanding shares of Marvel Biotechnology Inc. as its proposed “Qualifying Transaction” as defined under TSXV policies. The Transaction was pursuant to a reverse take-over (“RTO”) by AVC which acquired all of the issued and outstanding shares of Marvel Biotechnology Inc. by amalgamation agreement in exchange for common shares in the capital of AVC. As a result of the Transaction, Marvel Biotechnology Inc. became a wholly-owned subsidiary of Marvel Bioscience Corp. (formerly Alphanco Venture Corp.).

In connection with closing of the Qualifying Transaction which occurred June 14, 2021, AVC changed its name to Marvel Bioscience Corp. and commenced trading on the TSXV under the symbol “MRVL” approximately July 12, 2021. The Company is classified as a Tier 2 issuer pursuant to TSXV policies and a reporting issuer in each of the Provinces of British Columbia, Alberta, and Ontario.

The accompanying consolidated financial statements have been prepared as at July 31, 2021 after giving effect to the reverse takeover of Marvel Biosciences Corp. (formerly “Alphanco Ventures Corp.”) by Marvel Biotechnologies Inc.

The Company is currently a pre-clinical stage pharmaceutical development biotechnology company that utilizes a “drug redevelopment” approach to drug development. Historically, when a new class of drug is developed, it is optimized for a particular target, but typically only approved for a specific disease. Often, a new disease is identified which involves the same target, however, pending the remaining patent life, the originally approved drug may not have sufficient time left for it to be commercially viable to be developed for the new disease indication. Marvel develops new synthetic chemical derivatives of the original approved drug for the new disease indication. Patent protection is sought as the new potential asset is developed by the Company. The Company believes the business model results in significantly less risk, cost and time to develop its assets compared to traditional biotechnology companies.

The Company has currently developed several new chemical entities, using synthetic chemical derivatives of known, off-patent drugs, that inhibit the A2a adenosine receptor with application to neurological diseases (depression & anxiety, Alzheimer’s, ADHD), and the non-neurological conditions of cancer and non-alcoholic steatohepatitis. Marvel is also exploring additional undisclosed targets to expand its asset pipeline.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Stated Amounts in Canadian dollars)

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## 1. NATURE AND CONTINUANCE OF OPERATIONS (*continued*)

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will continue to operate as a going-concern and be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company will need to raise sufficient working capital to maintain operations. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company has incurred operating losses from inception, has no recurring revenue sources and does not currently have the financial resources to sustain operations in the long-term.

The Company has a deficit balance of \$4,203,416 (2020 - \$1,164,070) largely due to expenditures in scientific research and compound development, clinical study expenses, and non-recurring cash (\$163,150) and non-cash transaction costs (\$1,748,201) related to the RTO by AVC (note 4). In particular, the Company invested \$613,100 and received gross government scientific research and experimental development (“SR&ED”) assistance of \$202,407 for the year ended July 31, 2021 (2020 - \$265,200 and government SR&ED of \$84,523).

The Company actively manages its cash flow and investment in research to match its cash generated from financing activities including eligible government programs. In order to maximize cash generated from operations, the Company plans to focus on developing compounds with positive indicators of activity that can be patented or patentable and commercialized; minimize operating expenses where possible; and limit capital expenditure. As the Company continues to expend on research and development, investments will be financed through eligible government programs and external financing. Management believes that successful execution of its business plan will result in sufficient cash flow and new financing to fund projected operational and investment requirements for its pipeline of compounds it has identified. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company’s operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months.

Should such events occur, management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and reducing general and administrative expenses, while seeking outside financing or seeking a potential partner in the development of its products.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company’s. This outbreak could decrease spending, adversely affect demand for the Company’s product and harm the Company’s business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Stated Amounts in Canadian dollars)

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## 1. NATURE AND CONTINUANCE OF OPERATIONS *(continued)*

The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of financial performance and cash flows. These factors indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon successful execution of its plans noted above. The outcome of these initiatives cannot be predicted at this time. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern for a reasonable period of time.

## 2. BASIS OF PREPARATION

### Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS interpretations committee ("IFRIC") and in effect at July 31, 2021.

### Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments and share-based compensation, which are measured and stated at fair value, and presented in Canadian Dollars, which is the Company's and its subsidiaries functional and presentation currency.

The significant accounting policies set out in note 3 have been applied consistently to the years presented.

### Basis of Consolidation

The consolidated financial statements include the accounts of Marvel Biosciences Corp. (formerly Alphanco Venture Corp.) from the date of amalgamation on June 14, 2021. The consolidated financial statements include the accounts of Marvel Biotechnologies Inc. from the date of incorporation on August 1, 2018 (see Notes 1 and 4). All intercompany transactions, balances, income and expenses are eliminated on consolidation.

### Functional and presentation currency

The financial statements are presented in Canadian Dollars, which is the functional currency of the Company and its subsidiary.

### Approval of the financial statements

The annual financial statements of the Company for the year ended July 31, 2021, were approved and authorized for issuance by the Board of Directors on November 15, 2021.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Stated Amounts in Canadian dollars)

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## 2. BASIS OF PREPARATION *(continued)*

### **Use of accounting estimates and judgments**

The preparation of these consolidated financial statements in conformity 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 expenses during the reporting year. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods. Assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting year, relate to:

#### *Property and equipment*

The Company has acquired property and equipment, which consists of computer equipment, for use in its business activities. Amortization is recognized using the declining-balance basis based upon management's estimate of the useful life.

#### *Taxes*

The determination of taxes is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for taxes. The value of deferred tax assets is reviewed and evaluated at the end of each reporting period and recognized only to the extent of probability of realization based on sufficient taxable income. The Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes as at July 31, 2021 or 2020

#### *Share-based payments*

Share-based compensation amounts are determined based on compensation plans in effect and are subject to estimated fair values, volatility, expected life, discount rate, forfeiture rates and the Company's share price using the Black-Scholes option pricing model. The Company estimates volatility based on the historical volatility of similar entities following a comparable period in their lives. The Company records share-based payments at fair value following the accounting policy described in Note 3.

#### *Scientific research and experimental development ("SR&ED")*

The determination of the amount of the Federal and Alberta SR&ED tax credit requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government agencies. Although the Company has used its best judgment and understanding of the related program agreements in determining the claim, the Company does not have reoccurring history of claim submission and it is possible that the amounts could increase or decrease by a material amount submitted, dependent on the review and audit by the government agency. Reasonable assurance of collection has not been obtained and therefore the claim is recorded upon cash receipt.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Stated Amounts in Canadian dollars)

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## 2. BASIS OF PREPARATION *(continued)*

The Company records SR&ED at fair value following the Government Assistance accounting policy described in Note 3.

### *Going concern*

The assessment of the Company's ability to execute its strategy by funding future working capital 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 circumstance. There is a material uncertainty regarding the Company's ability to continue as a going concern. The Company's principal source of cash is from private placements. The Company is dependent on raising funds in order to have sufficient capital to be able to identify, evaluate and then acquire an interest in assets or a business.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Financial instruments

#### *Classification*

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income (loss) ("FVOCI"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Stated Amounts in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

<u>Asset or Liability</u>	<u>Classification</u>
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized cost

#### **Measurement**

##### *Initial measurement*

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

##### *Subsequent measurement*

The following accounting policies apply to the subsequent measurement of financial instruments:

#### **Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### **Financial assets at amortized cost**

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### **Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

#### **Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Stated Amounts in Canadian dollars)

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## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *Impairment of financial instruments*

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

### **Cash**

Cash includes deposits held with banks that are available on demand.

### **Property and equipment**

Property and equipment is recorded at cost less accumulated amortization. The Company provides for amortization on the following basis:

Computer equipment	55% declining balance
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At each reporting date, the Company assesses whether there is objective evidence that the property and equipment is impaired. If such evidence exists, the Company recognizes an impairment loss. The loss is the difference between the carrying value and recoverable value, which is the higher of fair value less costs of disposal and value in use. The carrying amount of the property and equipment is reduced by this amount. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event or condition occurring after the impairment was recognized. However, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

### **Accounts payable**

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from Suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### **Scientific research and development costs**

Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization in terms of International Accounting Standard ("IAS") 38 "Intangible Assets".

Research and development ("R&D") costs comprise salaries, consultant fees, share-based payments, lab supplies, and an allocation of office costs and depreciation.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Stated Amounts in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Development activities involve a plan or design for the development of new or substantially improved compounds and assets. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Expenditures capitalized may include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

#### **Government assistance**

Government assistance consist of grants received under the refundable scientific research and experimental development tax credits ("SR&ED"). Currently government assistance is recorded in net income or loss upon cash receipt. When reasonable assurance exists that the Company has complied with the terms and conditions of the SR&ED program and that the grant will be received the grant will be recorded on an accrual basis.

#### **Foreign currency translation**

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in currencies other than the Canadian dollar are recognized in the consolidated statements of loss and comprehensive loss.

#### **Taxes**

Tax expense comprises current and deferred tax. Current tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

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## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Share-based payments

The Company follows the fair value method of valuing stock option grants and warrants. Share-based compensation amounts are determined based on the estimated fair value of shares on the date of grant of the option or warrant. Forfeitures are estimated at the grant date and are subsequently adjusted to reflect actual forfeiture realized. The expense is recognized over the vesting period, with a corresponding increase to contributed surplus. The fair value of share-based payments is determined using the Black-Scholes Pricing Model.

### 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 or 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.

### Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### Warrants

When the Company issues private placement units, the value attributed to the warrants is measured using the residual method. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component, if any. The Company considers the fair value of its shares to be the more easily measurable component and is valued with reference to the market price. The residual value is attributed to the warrants, if any is recorded as a separate component of equity.

### Earnings (Loss) per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method.

Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the reporting periods.

However, in periods where a net loss is reported, outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive and as a result diluted loss per share is equal to the basic loss per share.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### 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 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

### 4. REVERSE TAKEOVER TRANSACTION

On October 28, 2020, Alphanco Venture Corp. (“Alphanco”), a capital pool company listed on the TSX Venture Exchange, entered into the Letter Agreement with Marvel Biotechnology Inc. (“Marvel”) pursuant to which the Company agreed to acquire all of the outstanding shares of Marvel (the “Transaction”). The Transaction completed on June 14, 2021 was a “Qualifying Transaction” for the Company as defined under TSXV policies.

On December 4, 2020, Alphanco, Marvel and 2306696 Alberta Ltd., a wholly-owned Alberta subsidiary of Marvel, entered into the Amalgamation Agreement. The Amalgamation Agreement replaced and superseded the Letter Agreement and contemplated that the Transaction will be completed by way of an amalgamation among Alphanco, Marvel and Subco. Marvel become a wholly-owned subsidiary of Alphanco on completion of the Transaction by way of the shareholders of Marvel amalgamating with Subco and receiving one (1) Common Share for each one (1) Marvel Share owned at a deemed price of \$0.40 per Common Share. Other than the issuance of the Common Shares, there is no other consideration payable by Alphanco to acquire Marvel.

The Resulting Issuer, renamed Marvel Biosciences Corp., is engaged in the business which is currently conducted by Marvel, which is a junior emerging biotechnology life sciences company. The Board determined that the Transaction was in the best interests of Alphanco and authorized the execution of the Amalgamation Agreement. The completion of the Transaction was affected pursuant to the terms of the Amalgamation Agreement and upon receipt of the necessary regulatory approvals.

As a result of the Reverse Takeover (“RTO”), the former shareholders of Marvel acquired control of Alphanco and the Transaction is accounted for as a share-based payment, in accordance with IFRS 2, by which Marvel acquired the net assets and listing status of Alphanco.

The fair value of the consideration is determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of Alphanco upon completion of the Transaction. This value represents the fair value of the number of shares that Marvel would have had to issue, being 5,241,565, for the ratio of ownership interest in the combined entity to be the same as if the Transaction had taken the legal form of Marvel acquiring 100% of the shares of Alphanco. The percentage of ownership Alphanco shareholders have in the combined entity is approximately 22% based on combining 7,032,800 Alphanco common shares outstanding with the 25,553,431 newly issued shares of Marvel.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

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## 4. REVERSE TAKEOVER TRANSACTION (continued)

On the acquisition of Alphanco by Marvel, the Alphanco share capital, reserves, and deficit were eliminated. The allocation of the cost of the acquisition is summarized as follows:

<b>Consideration</b>		
Deemed value of common shares to former Alphanco shareholders	\$	2,095,525
<b>Net assets received:</b>		
Cash		381,573
Accrued accounts payable		(34,249)
Total net assets received		347,324
<b>Listing expense</b>		
Legal and other costs related to transaction		1,748,201
Transaction costs	\$	1,911,351

## 5. PREPAID AND DEPOSITS

The Company pursuant to an independent corporate development consulting contract entered into effective July 12, 2021 prepaid \$15,750 as at July 31, 2021 (July 31, 2020 - \$Nil).

## 6. PROPERTY AND EQUIPMENT

	Computer Equipment	
<b>Cost</b>		
Balance, July 31, 2019	\$	-
Additions		1,034
<b>Balance, July 31, 2021 and 2020</b>	<b>\$</b>	<b>1,034</b>
<b>Accumulated Depreciation</b>		
Balance, July 31, 2019	\$	284
Depreciation		413
<b>Balance, July 31, 2020</b>		<b>697</b>
Depreciation		185
<b>Balance, July 31, 2021</b>	<b>\$</b>	<b>882</b>
<b>Net Book Value July 31, 2020</b>	<b>\$</b>	<b>337</b>
<b>Net Book Value July 31, 2021</b>	<b>\$</b>	<b>152</b>

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are non-interest bearing and detailed below:

	2021		2020	
Trade accounts payable	\$	1,563	\$	94,175
Accrued accounts payable		110,914		59,652
	<b>\$</b>	<b>112,477</b>	<b>\$</b>	<b>153,827</b>

# MARVEL BIOSCIENCES CORP.

## Notes to the Consolidated Financial Statements

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(Stated Amounts in Canadian dollars)

### 8. SHARE CAPITAL

#### (a) Common Shares

*Authorized:*

Unlimited number of common shares without par value.

*Issued and outstanding:*

	Number Issued	Amount Issued
Common shares		
Balance, July 31, 2019	98	\$ 10
Private placements	6,365,000	769,500
Shares issued settlement of related party debt	5,600,000	140,000
Share issue costs	-	(11,078)
<b>Balance, July 31, 2020</b>	<b>11,965,098</b>	<b>898,432</b>
Private placements	8,588,333	3,230,500
Exercise of performance warrants	5,000,000	418,318
Acquisition of Marvel Biosciences Corp.	7,032,800	2,095,525
Share issue costs	-	(183,206)
<b>Balance, July 31, 2021</b>	<b>32,586,231</b>	<b>\$ 6,459,569</b>

On October 1, 2019, the Company issued 5,000,000 common shares to a private company owned and controlled by the President and Chief Executive Officer at \$0.025 per common share for settlement of related party debt of \$125,000.

On November 29, 2019, the Company issued 600,000 common shares, of which 450,000 were to the Corporate Secretary and Chief Financial Officer, at \$0.025 per common share for settlement of related party debt of \$15,000.

On January 14, 2020, the Company closed a private placement of 2,800,000 units of the Company for gross proceeds of \$280,000. Each unit consists of one common share of the Company and one common share purchase warrant, which entitles the holder to purchase one common share of the Company at \$0.25 per common share. These warrants expire 3 years from the date of closing. No value was assigned to the warrants on this issuance.

On February 25, 2020, the Company closed a private placement of 2,900,000 units of the Company for gross proceeds of \$290,000. Each unit consists of one common share of the Company and one common share purchase warrant, which entitles the holder to purchase one common share of the Company at \$0.25 per common share. These warrants expire 3 years from the date of closing. There was no residual value to allocate to the warrants. The Chief Financial Officer participated in the private placement and subscribed to 250,000 units for \$25,000.

On July 15, 2020, the Company closed a private placement of 665,000 units of the Company for gross proceeds of \$199,500. Each unit consists of one common share of the Company and one common share purchase warrant, which entitles the holder to purchase one common share of the Company at \$0.50 per common share. These warrants expire 2 years from the date of closing. There was no residual value to allocate to the warrants.

# MARVEL BIOSCIENCES CORP.

## Notes to the Consolidated Financial Statements

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(Stated Amounts in Canadian dollars)

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### 8. SHARE CAPITAL *(continued)*

On August 27, 2020, the Company closed a private placement of 1,145,000 units of the Company for gross proceeds of \$343,500. Each unit consists of one common share of the Company and one common share purchase warrant, which entitles the holder to purchase one common share of the Company at \$0.50 per common share. These warrants expire 2 years from the date of closing. There was no residual value to allocate to the warrants.

On October 15, 2020, the Company closed a private placement of 353,333 units of the Company for gross proceeds of \$106,000. Each unit consists of one common share of the Company and one common share purchase warrant, which entitles the holder to purchase one common share of the Company at \$0.50 per common share. These warrants expire 2 years from the date of closing. There was no residual value to allocate to the warrants.

On November 30, 2020, the Company closed a private placement of 550,000 units of the Company for gross proceeds of \$165,000. Each unit consists of one common share of the Company and one common share purchase warrant, which entitles the holder to purchase one common share of the Company at \$0.50 per common share. These warrants expire 2 years from the date of closing. There was no residual value to allocate to the warrants.

On November 13, 2020, 2,000,000 performance share purchase warrants of Marvel were exercised by a related party for gross proceeds of \$50,000. As a result of the exercise of the performance share purchase warrants, \$34,618 has been removed that was originally recorded to contributed surplus. (See Note 13).

On April 13, 2020, 3,000,000 share-purchase performance warrants were exercised for gross proceeds of \$75,000. The Company received conditional acceptance by the TSX Venture Exchange of the Proposed Transaction on March 11, 2021. Pursuant to the Proposed Transaction, the remaining 3,000,000 performance share purchase warrants of Marvel were required to be exercised prior to Closing of the Proposed Transaction by a related party and equivalent common shares issued. As a result of the exercise of the performance share purchase warrants, \$258,700 has been removed that was originally recorded to contributed surplus. (see Note 13).

On June 10, 2021, the Company closed a private placement of 6,540,000 common shares of the Company for gross proceeds of \$2,616,000.

On June 14, 2021, the Company issued 19,013,431 common shares at a deemed price of \$0.40 per common share to effect the reverse takeover transaction ("RTO") for total valuation of \$2,095,525 in connection of the acquisition of Marvel Biosciences Corp. The Company had 7,032,800 shares outstanding prior to the RTO, On consolidation, the Company eliminated the pre-RTO Marvel common shares and the corresponding Company pre-RTO share value. (note 4).

Share issue costs of \$183,206 (2020 – \$11,078), were incurred in relation to the above issuances.

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

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## 8. SHARE CAPITAL (continued)

### Escrow

11,400,098 shares issued to Principals pursuant to the Qualifying Transaction are subject to a Tier 2 Value Security Escrow Agreement to be released over a 36-month period. 150,000 shares issued to non-Principals pursuant to the Qualifying Transaction are subject to a Tier 2 Value Security Escrow Agreement to be released over a 36-month period, in accordance with the Exchange's Seed Share Resale Restrictions. 2,700,000 shares are subject to a CPC Escrow Agreement to be released over an 18-month period.

### (b) Warrants

Warrant transactions are summarized as follows:

	Number	Average Exercise Price	Weighted Average Remaining Life
Balance, July 31, 2019	-	\$ -	-
Issued on private placement	6,365,000	0.28	2.46
Balance, July 31, 2020	6,365,000	0.28	2.46
Issued on private placements	2,048,333	0.50	1.15
Issuance of broker warrants	58,200	0.50	1.07
	<b>8,471,533</b>	<b>\$ 0.28</b>	<b>1.38</b>

The following table shows the warrants outstanding at July 31, 2021:

Exercise Price	Number	Weighted Average Remaining Life
\$0.25	5,700,000	1.52
\$0.50	2,771,533	1.11
	<b>8,471,533</b>	<b>1.38</b>

The fair value of the broker warrants granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	July 31, 2021
Weighted average fair value of warrants granted (\$)	0.14
Risk-free Interest Rate (%)	0.29
Expected Life (years)	2.0
Estimated volatility of underlying common shares (%)	116
Weighted average grant date share price	0.30
Forfeiture rate	-
Expected dividend yield (%)	-

# MARVEL BIOSCIENCES CORP.

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## 8. SHARE CAPITAL (continued)

### (c) Stock Options

On March 12, 2021, the company received conditional regulatory approval of the 20% fixed stock option plan and grants of 2,425,000 stock options were granted July 14, 2021 pursuant to the Company's reverse take-over transaction to officers, directors, consultants and employees subject to approval by the Company's disinterested shareholders at the next shareholder meeting prior to vesting or exercise of such options.

On July 29, 2021, 400,000 stock options of the Company were granted pursuant to an investor relations contract effective August 1, 2021 at a price of \$0.40, vesting in equal monthly portions over twelve (12) months from the Grant date for a period of five years, subject to and only issued after disinterested shareholder approval of the Company's stock option plan at the next shareholder meeting held by the Company prior to the vesting or exercise of such options.

## 9. LOSS PER SHARE

The calculation of weighted average shares outstanding for the diluted loss per share calculation excludes the impact of the options and warrants outstanding as at July 31, 2021 and 2020 as the effect is anti-dilutive.

## 10. SHARE-BASED COMPENSATION

During the year ended July 31, 2021, the Board of Directors issued nil (2020 - 6,600,000) performance warrants. The performance warrants entitle the holder to purchase one common share of the Company at a set price and vest immediately.

Share-based compensation expense related to performance warrants during the year ended July 31, 2021 was \$Nil (2020 – \$384,442).

The following table sets forth a reconciliation of performance warrant activity:

	Number	Average Exercise Price	Weighted Average Remaining Life
Balance, July 31, 2019	-	\$ -	-
Granted	6,600,000	\$ 0.07	2.55
<b>Balance, July 31, 2020</b>	<b>6,600,000</b>	<b>\$ 0.07</b>	<b>2.55</b>
Exercised	5,000,000	\$ 0.025	-
<b>Balance, July 31, 2021</b>	<b>1,600,000</b>	<b>\$ 0.07</b>	<b>1.75</b>

The range of exercise prices of the outstanding performance warrants and weighted average contractual life remaining as at July 31, 2021 are as follows:

Exercise Price	Number Outstanding and Exercisable	Average Exercise Price	Weighted Average Remaining Life
\$0.20	1,600,000	\$ 0.20	1.75
	<b>1,600,000</b>	<b>\$ 0.20</b>	<b>1.75</b>

# MARVEL BIOSCIENCES CORP.

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## 10. SHARE-BASED COMPENSATION (continued)

The fair value of each performance warrant granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	July 31, 2020
Weighted average fair value of warrants granted (\$)	0.06
Risk-free Interest Rate (%)	0.78
Expected Life (years)	3.0
Estimated volatility of underlying common shares (%)	116
Weighted average grant date share price	0.08
Forfeiture rate	-
Expected dividend yield (%)	-

## 11. CLINICAL STUDY EXPENSE

During the year ended July 31, 2021, the Company initiated and conducted ongoing clinical studies to determine if the Company had indications of viable active compounds, that could lead to drugs being developed to be made commercially, totaling \$613,099 (2020 – \$265,200). Because the costs incurred were to determine if a viable active compound existed and further development should be undertaken, the amounts have been expensed. These costs incurred during the year, broken down by nature, are as follows:

	2021	2020
Consulting fees (note 13)	\$ 222,145	\$ 50,000
Research, development, lab and supplies	390,954	215,200
	<b>\$ 613,099</b>	<b>\$ 265,200</b>

## 12. GOVERNMENT SCIENTIFIC RESEARCH AND DEVELOPMENT EXPENSE CREDIT

During the year ended July 31, 2021, the Company received \$202,407 of SR&ED tax credits on eligible expenditures incurred in 2020. In addition, the Company applied and received federal SR&ED of \$178,725, Alberta SR&ED tax credits of \$20,664 and Manitoba SR&ED tax credits of \$3,000, with costs of preparation of the claim of \$50,579. Management believes that the Company is eligible for SR&ED tax credits on eligible expenditures incurred in fiscal 2021. The Company has applied for Government SR&ED refundable tax credits related to the July 31, 2021 fiscal year end totaling \$287,747 and non-refundable tax credits totaling \$22,468 offset by \$74,746, for the preparation of the SR&ED applications, for a net refundable receivable of \$213,001. The amount will be received on the successful processing of the SR&ED applications.

	2021	2020
Federal government SR&ED tax credits	\$ 178,725	\$ 64,156
Alberta government SR&ED tax credits	20,664	20,367
Manitoba government SR&ED tax credits	3,000	-
Professional fees on claim preparation	(50,579)	(21,000)
	<b>\$ 151,810</b>	<b>\$ 63,523</b>

# MARVEL BIOSCIENCES CORP.

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## 13. RELATED PARTY TRANSACTIONS

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined the key personnel to be the executive and non-executive officers and directors of the Company.

During the year ended July 31, 2021, a privately held company owned by a director and officer of the Company provided executive management, executive financial and administration staff and services under an Executive Management and Administrative Services Contract ("Contract") totaling \$515,100 (2020 - \$278,985). Under the Contract, a deposit of \$35,000 was advanced to the related party during the year ended July 31, 2020. On July 31, 2021, this contract was mutually terminated, and the deposit was retained by the related party as a contract termination settlement. Management consulting services and administrative expenses were incurred as follows:

	2021	2020
Management and consulting	\$ 625,428	\$ 315,843
General and administration	39,672	23,142
Contract termination settlement	35,000	-
Share-based compensation	-	374,474
	<b>\$ 700,100</b>	<b>\$ 713,459</b>

During the year ended July 31, 2021, the Company paid the Chief Scientific Officer and director \$150,000 (2020 – \$50,000) for consulting services. These amounts are included in Clinical study expense.

During the year ended July 31, 2021, the Company paid to a company wholly-owned by the Chief Financial Officer \$Nil (2020 – \$10,000) for consulting services. These amounts are included in Management Consulting Fees.

As at July 31, 2021 and 2020, no amounts were owed to related parties for the above services.

On November 15, 2019, the Company issued 2,000,000 performance warrants to the Chief Scientific Officer pursuant to the execution of a Consulting Agreement at an exercise price of \$0.025 per performance warrant into one common share expiring three years from the date of issuance. As a result of this issuance, the Company has recognized share-based compensation of \$34,618. On November 13, 2020, 2,000,000 performance warrants were exercised (see Note 10).

On March 10, 2020, the Company issued a total of 3,000,000 performance warrants to the Chief Scientific Officer pursuant to a Consulting Agreement and meeting certain performance milestones in identifying up to three compounds, subject to conditions of which the consultant would be entitled to each of 1,000,000 performance warrants to be issued at an exercise price of \$0.025 per performance warrant into one common share expiring three years from the date of issuance. As a result of this transaction the Company has recognized \$258,700 as share-based compensation. On April 13, 2021, these performance warrants were exercised (see Note 10).

On July 31, 2020, the President and Chief Executive Officer, Chief Scientific Officer, Chief Financial Officer, and Corporate Secretary were issued a total of 1,450,000 performance warrants as equity compensation at an exercise price of \$0.20 per performance warrant into one common share expiring three years from the date of issuance. As a result, the Company has recognized \$81,155 as share-based compensation (see Note 9).

# MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements

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## 13. RELATED PARTY TRANSACTIONS *(continued)*

As at July 31, 2020, the Company owed \$Nil (2020 - \$23,356) to a director and officer of the Company. The amount was non-interest bearing, unsecured and is due on demand.

Transactions with related parties are in the normal course of business and initially recorded at fair value.

## 14. RISK AND CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of biotech assets. Capital is comprised of the Company's shareholders' equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There have been no changes from the prior year.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of cash, accounts payable and accrued liabilities, and due to related party approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

There have been no changes from the prior year.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2021, the Company had a cash balance of \$2,393,144 (July 31, 2020 - \$224,810) to settle current liabilities of \$112,477 (July 31, 2020 - \$177,183). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. To maintain liquidity, the Company is currently investigating financing opportunities.

### *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. The Company does not have a practice of trading derivatives.

# MARVEL BIOSCIENCES CORP.

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## 14. RISK AND CAPITAL MANAGEMENT *(continued)*

### *Interest rate risk*

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at July 31, 2021 and 2020, the Company did not have any investments in investment-grade short-term deposit certificates.

### *Foreign currency risk*

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than Canadian dollars. As at July 31, 2021, the Company had monetary liabilities of US\$30,600 or \$38,134 (2020 - US\$31,125 or \$47,347) at the Canadian equivalent.

For the year ended July 31, 2021, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US dollar by 10% will increase or decrease net loss by approximately \$3,813 (2020 - \$4,734). The Company has not entered into any foreign currency contracts to mitigate this risk. Foreign currency risk is considered low relative to the overall financial operating plan.

### *Price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

## 15. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at July 31, 2021 at 23.00% (2020 – 26.00%) to loss before income taxes.

A reconciliation of the differences is as follows:

For the year ended July 31	2021	2020
Loss before income taxes	\$ (3,039,346)	\$ (955,647)
Computed income taxes	(699,050)	(248,471)
Increase (decrease) in taxes:		
Share issue costs	(42,137)	(2,548)
Non-deductible expenses	402,086	99,955
Scientific research and development credits	-	(34,196)
Change in enacted tax rates	-	17,136
Change in deferred tax assets not recognized	339,101	168,124
	\$ -	\$ -

# MARVEL BIOSCIENCES CORP.

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## 15. INCOME TAXES (continued)

A summary of the gross tax balances in which a deferred tax asset was not recognized is as follows:

	2021	2020
Property and equipment	\$ -	\$ 337
Share issue costs	153,211	8,862
Scientific research and development expenditures	1,583,592	791,768
Non-capital loss carryforward	656,565	118,388
	<b>\$ 2,393,368</b>	<b>\$ 919,355</b>

The Company's non-capital loss carry forward balances if not utilized will expire in various years ranging from 2039 to 2040.

The Canadian statutory tax rate per the rate reconciliation above represents the average combined federal and provincial corporate tax rate. The federal corporate rate is 15.0% and the average provincial tax rate in Alberta was 11.5% during 2019. On June 28, 2019, the Alberta government enacted legislation which reduced the Alberta corporate income tax rate from 12% to: 11% effective July 1, 2019; 10% effective January 1, 2020; 9% effective January 1, 2021; and 8% effective January 1, 2022 and thereafter.