

MARVEL BIOSCIENCES CORP.

Consolidated Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

To the Shareholders of Marvel Biosciences Corp.:

Opinion

We have audited the consolidated financial statements of Marvel Biosciences Corp. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2023 and July 31, 2022, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' (deficit) equity 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, 2023 and July 31, 2022, 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 2 in the consolidated financial statements, which indicates that during the year ended July 31, 2023, the Company has incurred net loss and comprehensive loss, utilized cash in operating activities, and as at that date, its current liabilities exceeded its current assets and had an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Calgary, Alberta

November 27, 2023

MNP LLP

Chartered Professional Accountants

MNP

MARVEL BIOSCIENCES CORP.

Consolidated Statements of Financial Position

As at July 31, 2023 and 2022

(Expressed in Canadian Dollars)

	Note	July 31, 2023 \$	July 31, 2022 \$
ASSETS			
Current assets			
Cash		556,622	593,207
Goods and services taxes receivable		81,914	56,438
Prepaid and deposits	4	33,853	263,896
		672,389	913,541
Total assets		672,389	913,541
Liabilities and Shareholders' (Deficit) Equity			
Current liabilities			
Accounts payable and accrued liabilities	5	1,392,477	718,005
		1,392,477	718,005
Non-current liabilities			
Convertible debentures	6	1,000,000	-
		1,000,000	-
Total liabilities		2,392,477	718,005
Shareholders' (deficit) equity			
Share capital	7	7,126,719	6,861,069
Subscriptions receivable	7	-	(30,000)
Contributed surplus		202,137	122,022
Accumulated deficit		(9,048,944)	(6,757,555)
Total shareholder's (deficit) equity		(1,720,088)	195,536
Total liabilities and shareholders' (deficit) equity		672,389	913,541

Going concern (Note 2)

Approved on behalf of the Board of Directors

/s/ "J. Roderick Matheson"

Roderick Matheson
CEO and Director

/s/ "Randall Smallbone"

Randall Smallbone
Director

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

MARVEL BIOSCIENCES CORP.

Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	July 31, 2023	July 31, 2022
		\$	\$
Expenses			
Clinical study	8	887,516	1,377,160
Management and director & consulting fees		600,622	706,380
Marketing and promotion		312,456	-
Professional fees		202,407	134,630
General and administrative		213,154	277,290
Interest	6	34,591	-
Transfer agent fee		55,483	42,529
Travel		22,663	10,138
Bank charges		3,831	1,549
Share-based compensation	7	80,115	-
Depreciation		-	152
Loss before other items		(2,412,838)	(2,549,828)
Foreign exchange loss		(4,782)	(4,311)
Government scientific research and experimental development credit	9	126,231	-
Net loss and comprehensive loss		(2,291,389)	(2,554,139)
Basic and diluted net loss per share		(0.06)	(0.08)
Weighted average number of shares outstanding		39,660,478	32,758,834

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

MARVEL BIOSCIENCES CORP.

Consolidated Statements of Cash Flows
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	July 31, 2023 \$	July 31, 2022 \$
Cash provided by (used in):			
Operations			
Net loss		(2,291,389)	(2,554,139)
Items not involving cash:			
Share-based compensation	7	80,115	-
Depreciation		-	152
		(2,211,274)	(2,553,987)
Change in non-cash working capital			
Goods and services taxes receivable		(25,476)	2,668
Prepays and deposits		230,043	(248,146)
Accounts payable and accrued liabilities		674,472	605,528
Net cash used in operating activities		(1,332,235)	(2,193,937)
Financing			
Issuance of common shares	7	270,000	420,000
Share issue costs	7	(4,350)	(26,000)
Share subscriptions advance	7	30,000	-
Proceeds from convertible debentures	6	1,000,000	-
Net cash from financing activities		1,295,650	394,000
Net change in cash		(36,585)	(1,799,937)
Cash, beginning of the year		593,207	2,393,144
Cash, end of the year		556,622	593,207

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

MARVEL BIOSCIENCES CORP.

Consolidated Statements of Changes in Shareholders' (Deficit) Equity
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Common Shares #	Share capital \$	Subscription receivable \$	Contributed surplus \$	Accumulated deficit \$	Total \$
Balance, July 31, 2021	32,586,231	6,459,569	-	99,522	(4,203,416)	2,355,675
Private placement	4,500,000	427,500	(30,000)	22,500	-	420,000
Share issue costs	-	(26,000)	-	-	-	(26,000)
Net and comprehensive loss for the year	-	-	-	-	(2,554,139)	(2,554,139)
Balance, July 31, 2022	37,086,231	6,861,069	(30,000)	122,022	(6,757,555)	195,536
Private placement	2,700,000	270,000	30,000	-	-	300,000
Share issue costs	-	(4,350)	-	-	-	(4,350)
Share-based compensation	-	-	-	80,115	-	80,115
Net and comprehensive loss for the year	-	-	-	-	(2,291,389)	(2,291,389)
Balance, July 31, 2023	39,786,231	7,126,719	-	202,137	(9,048,944)	(1,720,088)

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

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Marvel Biosciences Corp. (“Marvel” or the “Company”) 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 8th Ave SW, Calgary, Alberta T2P 1G2 and the registered and records office is 600, 815 8th Avenue SW, Calgary Alberta T2P 3T2.

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 Qualifying 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 AVC.

In connection with closing of the Qualifying Transaction which occurred on June 14, 2021, AVC changed its name to Marvel Bioscience Corp. and commenced trading on the TSXV under the new symbol “MRVL” around 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 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.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Approval of the financial statements

The annual financial statements of the Company for the year ended July 31, 2023, were approved and authorized for issuance by the Board of Directors on November 27, 2023.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

Going concern

These consolidated financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

During the year ended July 31, 2023, the Company incurred a net loss and comprehensive loss of \$2,291,389 (2022 - \$2,554,139) and utilized cash totalling \$1,332,235 (2022 - \$2,193,937) in operating activities and as at that date, its current liabilities exceeded its current assets by \$720,088 (2022 – current assets exceeded current liabilities by \$195,536) and has an accumulated deficit of \$9,048,944 (2022 - \$6,757,555).

The Company will need to raise sufficient funds 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 revenue sources and does not currently have the financial resources to sustain operations in the long-term.

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 conserve cash, 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, these activities 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 here, 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.

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.

These consolidated financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classification used.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis.

Basis of Consolidation

The consolidated financial statements include the accounts of Marvel Biotechnologies Inc., which was incorporation on August 1, 2018 and is a wholly owned subsidiary of the Company.

Subsidiaries are entities controlled by the Company and the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

Functional and presentation currency

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

Use of accounting estimates and judgments

The preparation of these consolidated financial statements 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.

Significant estimates and judgements made by management in the preparation of these consolidated financial statements are as follows:

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. Given that the Company is in research and development phase, no deferred tax assets are being recognized.

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.

Convertible debentures

The Company issues convertible debentures, which may be comprised of embedded derivatives, debt and equity or derivative liability components. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management.

In line with its accounting policy, the Company measures convertible debentures, in its entirety (debt host and convertible component), at fair values at the reporting date. This method requires the input of a number of assumptions including estimated market rate of interest and volatility. These assumptions are determined using management's best estimates and involve inherent uncertainties.

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.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified into the following categories: amortized cost; fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI").

The classification is determined by both the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Company's cash fall into this category of financial asset.

Financial assets at FVTPL

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell, and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Company has no financial asset in this category.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

Financial assets at FVOCI

A financial asset is measured at FVOCI if the financial asset is held within a business model of both collecting contractual cash flows and selling the financial assets or through an irrevocable election for equity instruments that are not held for trading.

Any gains or losses recognized in other comprehensive income ("OCI") will be recycled upon derecognition of the asset.

The Company has no financial assets in this category.

Classification and initial measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL.

Subsequent measurement of financial liabilities

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

The Company's accounts payable and accrued liabilities are measured at amortized cost.

The Company has designated convertible debentures in its entirety as financial liabilities measured at FVTPL.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to 12 months of expected credit losses. For accounts receivable, the Company applies the simplified approach to providing for expected credit losses, which allows for the use of a lifetime expected credit loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and is related to an event occurring after the impairment was recognized.

Cash

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

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.

Convertible debentures

Compound financial instruments issued by the Company comprises convertible debentures that can be converted to common shares at the option of the holder.

The Company has designated its convertible debentures in its entirety (the debt host, conversion feature and any other embedded derivative or component) as financial liability measured at fair value.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

The Company utilizes appropriate valuation techniques to determine the fair value of the convertible notes at each reporting date.

Scientific research and development costs

Research costs are expensed in the period in which they are 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.

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 profit or loss upon cash receipt and 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 profit or 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 reporting 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, 2023 and 2022
(Expressed in Canadian Dollars)

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. 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.

4. PREPAID AND DEPOSITS

The Company's prepaids and deposits consist of the following:

	July 31, 2023	July 31, 2022
	\$	\$
Corporate development	-	250,000
Clinical expenses	-	1,566
General and administrative	33,853	12,330
	33,853	263,896

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	July 31, 2023 \$	July 31, 2022 \$
Trade accounts payable	1,208,440	262,095
Accrued accounts payable	149,626	429,693
Government remittances	-	26,217
Interest payable (Note 6)	34,411	-
	1,392,477	718,005

6. CONVERTIBLE DEBENTURES

On February 24, 2023, the Company raised gross proceeds of \$1,000,000 through the issuance of unsecured convertible debentures. The convertible debentures units will mature on February 24, 2026, and bear simple interest of 8% per annum. Interest is payable annually in arrears.

The entire principal amount of the convertible note may be converted at the election of the holder into common shares of the Company at a conversion price of \$0.12 per share at any time prior to the maturity date. The conversion is subject to certain price adjustment clauses as provided in the unsecured convertible debentures agreement, which may change the number of shares that would be issued if conversions were exercised.

The accrued interest may be paid in cash or common shares, at the option of the Company, based on a conversion price equal to the 20-day VWAP of the Company's common shares on the TSXV immediately preceding the date the interest is due.

In line with the Company's accounting policies, the Company designated these convertible debenture as measured at fair value in their entirety (debt host as well as the conversion feature). The Company utilized a convertible bond pricing model to determine the fair value of the convertible debentures that was estimated to be \$1,000,000 as at July 31, 2023, as such, fair value change of \$Nil was recorded in profit or loss.

Significant inputs include use of risk-free rate, credit spread, the Company's share prices and historical volatility at the measurement date.

During the year ended July 31, 2023, \$34,411 (2022 - \$nil) of interest expense was recorded on the convertible notes. As at July 31, 2023, \$34,411 (2022 - \$nil) of accrued interest is recorded in accounts payable and accrued liabilities (Note 4) and is payable on December 31, 2023.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

7. SHARE CAPITAL

(a) Common Shares

Authorized:

Unlimited number of common shares without par value.

Issued and outstanding:

During the year ended July 31, 2023, the Company issued the following shares:

On August 9, 2022, the Company closed the second tranche of its non-brokered private placement of 2,700,000 units (the "Units") at a price of \$0.10 per Unit for gross proceeds of \$270,000. Each Unit is comprised of one common share of the Company and one share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.15 per share and expires on August 9, 2023. The Company incurred cash share issuance costs of \$4,350. Upon initial recognition, the Company determined the fair value of the warrants issued to be \$nil thus the entire proceeds net of the issuance cost was assigned to the common shares.

The Company also received \$30,000 in subscriptions that were receivable as at July 31, 2022.

During the year ended July 31, 2022, the Company issued the following shares:

On July 18, 2022, the Company closed the first tranche of its non-brokered private placement of 4,500,000 units of the Company at a price of \$0.10 per unit for gross proceeds of \$450,000. 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 a price of \$0.15 per common share, the warrants expire on July 18, 2023. The warrants were fair valued at \$22,500. In connection with the offering, the Company paid finders fees of \$26,000 in cash to certain finders. Upon initial recognition, the Company determined the fair value of the warrants issued to be \$nil thus the entire proceeds net of the issuance cost was assigned to the common shares.

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. As at July 31, 2023, 3,465,028 common shares issued pursuant to the Qualifying Transaction remain in escrow.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

(b) Warrants

Warrant transactions are summarized as follows as at July 31, 2023:

	Number of warrants	Weighted Average Exercise Price \$	Weighted Average Remaining Life (years)
Balance, July 31, 2021	8,471,533	0.28	1.38
Issued on private placements	4,500,000	0.15	1.96
Expired	(665,000)	0.50	-
Balance July 31, 2022	12,306,533	0.26	0.98
Issued on private placements	2,700,000	0.15	0.02
Expired	(12,306,533)	0.20	-
Balance, July 31, 2023	2,700,000	0.15	0.02

The following table shows the warrants outstanding at July 31, 2023:

Number of warrants outstanding	Exercise Price \$	Weighted Average Remaining Life
2,700,000	0.15	0.02

Subsequent to July 31, 2023, all of the outstanding warrants expired unexercised.

(c) Performance Warrants

During the year ended July 31, 2022, the 6,600,000 performance warrants that were issued during the year ended July 31, 2020 expired. The following table sets forth a reconciliation of performance warrant activity as at July 31, 2023:

	Number	Average Exercise Price \$
Balance, July 31, 2022	1,600,000	0.07
Cancelled	(1,600,000)	(0.07)
Balance, July 31, 2023	-	-

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

(d) Stock Options

The Company has established a stock option plan (the "Plan") whereby it provides for a fixed number of Common Shares to be reserved and available to be granted. This number is approved by the Company's Shareholders from time to time and not to exceed 20% of the Company's issued and outstanding Common Shares on an undiluted basis and including securities authorized under any equity compensation plans, at the time of approval. The exercise price of the Common shares subject to each stock option is determined by the Board of Directors and may not be less than the Discounted Market Price.

The balance of options outstanding and related information for the year ended July 31, 2023 and 2022 are as follows:

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance July 31, 2021	2,825,000	\$0.27	4.21
Forfeited	(1,100,000)	\$0.25	-
Balance, July 31, 2022	1,725,000	\$0.28	3.97
Granted	1,625,000	\$0.10	-
Balance, July 31, 2023	3,350,000	\$0.20	3.46
Unvested	(1,083,333)	\$0.10	3.99
Vested and exercisable	2,266,667	\$0.24	3.21

The balance of options outstanding as at July 31, 2023 was as follows:

Expiry Date	Exercise price \$	Number of options outstanding	Unvested	Exercisable
July 14, 2026	0.25	1,325,000	-	1,325,000
July 29, 2026	0.40	400,000	-	400,000
July 14, 2027	0.10	1,425,000	950,000	475,000
October 19, 2027	0.14	200,000	133,333	66,667
		3,350,000	1,083,333	2,266,667

During the year ended July 31, 2023, the Company granted 1,625,000 share purchase options, 1,425,000 expiring on July 14, 2027 and 200,000 expiring on October 19, 2027, with an exercise price of \$0.10 and \$0.14 per share purchase option respectively (2022 – no share purchase options were granted). The options vest one-third on the grant date, one-third on the first anniversary of the grant and the remainder on the second anniversary of the grant. The weighted average fair value of the options granted is \$0.05 per option and the Company recorded share-based payments expense of \$80,115. The fair value was determined using the Black-Scholes model using the following assumptions: Risk-free rate – 2.99% to 3.33% per annum; expected life – 4.8 years; expected volatility – 122% to 135%; expected forfeiture and dividends – nil.

(e) 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, 2023 and 2022 as the effect is anti-dilutive.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

8. CLINICAL STUDY EXPENSE

During the year ended July 31, 2023, the Company continued conducting 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 \$887,516 (2022 – \$1,377,160). Since 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 period broken down by nature, are as follows:

	July 31, 2023	July 31, 2022
	\$	\$
Consultants	5,214	86,122
Research, lab and supplies	882,302	1,291,038
	887,516	1,377,160

9. GOVERNMENT SCIENTIFIC RESEARCH AND DEVELOPMENT EXPENSE CREDIT

During the year ended July 31, 2023, the Company received \$161,963 in SR&ED claims offset by \$35,732 in fees for the preparation of the application.

10. 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. Compensation paid or payable to key personnel to be the executive and non-executive officers and directors of the Company, for services provided during the during the years ended July 31, 2023 and 2022 are as follows:

	July 31, 2023	July 31, 2022
	\$	\$
General and administrative	39,672	39,672
Management and director & consulting fees	384,750	366,000
Professional fees	82,500	37,571
Share based compensation (Note 7)	80,115	-
	587,037	443,243

Included in accounts payable and accrued liabilities at July 31, 2023 are amounts due to related parties of \$72,332 (July 31, 2022 - \$78,583) for the above services. The amounts owing are non-interest bearing and due on demand.

During the year ended July 31, 2023, the Company paid \$10,507 (2022 - \$nil) in marketing and promotion costs to a family member of the CEO.

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

During the year ended July 31, 2023, the Company issued \$500,000 in convertible debentures to the CEO of the Company (Note 6.). During the year ended July 31, 2023, the Company recorded \$17,206 in interest expense on the convertible debt related to the CEO and as at July 31, 2023, the \$17,206 is recorded as interest payable.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

11. 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, 2023 at 23.00% (2021 – 23.00%) to loss before income taxes.

A reconciliation of the differences is as follows:

	July 31, 2023 \$	July 31, 2022 \$
Loss before income taxes	(2,291,389)	(2,554,139)
Computed income taxes	(527,019)	(587,452)
Increase (decrease) in taxes:		
Permanent and other differences	(133,999)	(5,980)
Non-deductible expenses	19,356	388
Change in deferred tax assets not recognized	641,662	593,044
	-	-

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

	July 31, 2023 \$	July 31, 2022 \$
Property and equipment	161	-
Share issue costs	104,867	135,154
Scientific research and development expenditures	914,157	1,226,143
Non-capital loss carryforward	6,051,770	3,778,301
	7,070,955	5,139,598

The Company's non-capital loss carry forward balances if not utilized will expire in various years ranging from 2039 to 2043. The losses expire as follows:

	Total \$
2039	58,467
2040	134,538
2041	967,628
2042	2,617,668
2043	2,273,469
	6,051,770

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); amortized costs; and fair value through other comprehensive income. Cash, accounts payable and accrued liabilities are classified as measured at amortized costs. Convertible debentures are classified as measured at FVTPL.

MARVEL BIOSCIENCES CORP.

Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

As at July 31, 2023 and 2022, the carrying amounts for cash and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The convertible debentures are measured at fair value.

Risk management

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. As at July 31, 2023 and 2022 the Company's credit risk is primarily related to cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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, 2023, the Company had a cash balance of \$556,622 (2022 - \$593,207) to settle current liabilities of \$1,392,477 (2022 - \$718,005).

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. Interest on convertible debentures is payable annually. The convertible debentures are due on February 24, 2026.

To maintain liquidity, the Company is currently exploring financing opportunities.

Market risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

Interest rate risk is part of market risk and is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rate on the Company's convertible debentures is fixed during the term of the convertible debentures.

Foreign currency risk

A portion of the Company's financial assets and liabilities are denominated in US dollars and give rise to risks from changes in foreign exchange rate between the Canadian dollar (functional currency) and US dollar. As at July 31, 2023, a 1% increase (decrease) in the Canadian Dollar/U.S. dollar exchange rates on that date would have resulted in an increase or decrease of approximately \$11,000. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.