Financial Statements

Navco Pharmaceuticals Limited

As at September 30, 2022

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Navco Pharmaceuticals Limited:

Opinion

I have audited the accompanying financial statements of Navco Pharmaceuticals Limited, which comprise the statements of financial position as at September 30, 2022 and 2021 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Navco Pharmaceuticals Limited as at September 30, 2022 and 2021 and its financial performance and its cash flows for the year and period then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the financial statements, which indicates that the Company has incurred net losses of $1,664,731 since inception and has a working capital deficiency of $948,703. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicated that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other information

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

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

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

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

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

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

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

Auditor's Responsibility

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

K.R. Margetson Ltd.

Chartered Professional Accountant

North Vancouver, Canada
February 6, 2023

K. R. Margetson Ltd.
331 East 5th Street
North Vancouver BC, V7L 1M1

NAVCO PHARMACEUTICALS LIMITED
STATEMENT OF FINANCIAL POSITION
As at September 30, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	September 30, 2022	September 30, 2021 Restated (Note 19)
ASSETS		$	$
Cash		1,535	4,071
Receivable	4	55,869	30,277
Inventory	5	3,019	8,458
Total current assets		60,423	42,806
Non-current assets			
Plant and equipment	6	219,235	254,649
Intangible asset	7	45,200	53,600
Total non-current assets		264,435	308,249
TOTAL ASSETS		324,858	351,055
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	214,944	95,416
Amounts due to related parties	12	628,179	325,720
Secured loan and interest payable	9	92,062	105,557
Other loans, unsecured without interest		62,653	22,353
Current portion of lease liability	10, 15	11,288	9,861
Total current liabilities		1,009,126	558,907
Non-Current liabilities			
Lease liability	10, 15	103,838	115,126
Total non-current liabilities		103,838	115,126
TOTAL LIABILIITES		1,112,964	674,033
SHARHOLDERS' DEFICIT			
Share capital	11	876,625	876,625
Accumulated deficit		(1,664,731)	(1,199,603)
TOTAL SHAREHOLDERS' DEFICIT		(788,106)	(322,978)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		324,858	351,055

Nature and continuance of operations (Note 1)
Commitments (Note 15)
Correction of error (Note 19)

On behalf of the Board:

"Geoffrey Lee"	"Chris Cooper"
Director	Director

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

NAVCO PHARMACEUTICALS LIMITED
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	For the Year Ended September 30, 2022	For the Year Ended September 30, 2021 Restated (Note 19)
		$	$
Revenue			
Consulting		58,734	15,525
General and administrative expenses			
Consulting fees	12	140,531	146,934
Amortization		8,400	4,900
Depreciation		35,414	28,464
Interest on loan		6,504	6,148
Interest on lease		8,440	6,289
Management fees	12	184,800	184,800
Office and general		62,437	57,934
Professional fees		25,781	46,440
Wages and benefits		51,555	59,875
		(523,862)	(541,784)
Loss and comprehensive loss for the year		(465,128)	(526,259)
Basic and diluted loss per common share		(0.03)	$(0.04)
Weighted average number of common shares outstanding		14,500,000	14,483,384

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

NAVCO PHARMACEUTICALS LIMITED
STATEMENT OF CHANGES IN EQUITY (DEFICIT)
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	Number of shares	Share capital	Subscriptions Received	Obligation to issue shares	Accumulated Deficit	Shareholders' Equity (Deficit)
		$	$	$	$	$
Balance, September 30, 2020	8,435,000	421,750	330,000	4,875	(673,344)	83,281
Shares issue for cash at $0.075/share	6,065,000	454,875	(330,000)	(4,875)	-	120,000
Net loss and comprehensive loss for the year – restated (Note 19)	-	-	-	-	(526,259)	(526,259)
Balance, September 30, 2021 Restated (Note 19)	14,500,000	876,625	-	-	(1,199,603)	(322,978)

	Number of shares	Share capital	Subscriptions Received	Obligation to issue shares	Accumulated Deficit	Shareholders' Equity (Deficit)
Balance, September 30, 2021	14,500,000	876,625	-	-	(1,199,603)	(322,978)
Net loss and comprehensive loss for the year	-	-	-	-	(465,128)	(465,128)
Balance, September 30, 2022	14,500,000	876,625	-	-	(1,1664,731)	(788,106)

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

NAVCO PHARMACEUTICALS LIMITED
STATEMENT OF CASH FLOWS
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	For the Year ended September 30, 2022	For the Year ended September 30, 2021 Restated (Note 19)
	$	$
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the year	(465,128)	(526,259)
Items not affecting cash		
Amortization	8,400	4,900
Depreciation	35,414	28,464
Interest on leases	8,440	6,289
Interest on loan	6,504	6,148
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	119,528	73,804
Amounts due related parties	301,890	204,286
Receivable	(25,592)	(30,277)
Inventory	6,008	(8,458)
	(4,536)	(241,103)
CASH FLOWS TO INVESTING ACTIVITIES		
Plant and equipment purchases	-	(73,630)
	-	(73,630)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Common shares issued for cash	-	120,000
Loan proceeds	40,300	22,353
Secured loan repayments	(20,000)	-
Lease payments	(18,300)	(18,487)
	2,000	123,866
Change in cash for the year	(2,536)	(190,867)
Cash, beginning of the year	4,071	194,938
Cash, end of the year	1,535	4,071

Supplemental disclosure with respect to cash flows (note 17)

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

1. Nature and continuance of operations

Navco Pharmaceuticals Limited (the "Company") was incorporated under the Canada Business Corporations Act on February 26, 2020.

The Company's registered office is located at 5205 Harvester Road, Unit 1, Burlington, Ontario, Canada.

Navco is a start- up company, that through its purchase of intellectual property, plans to manufacture nano-technology products and materials using computerized nano-meter algorithms. These products have applications in the medical, textile, chemical and additive industries. The Company's products are tailored to defend against microorganisms such as viruses, bacteria, fungi, and genetic manipulation tools such as clustered regularly interspaced short palindromic repeats.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. During the year ended September 30, 2022, the Company incurred a net loss and comprehensive loss of $465,128 (2021 - $526,259) and had an accumulated deficit of $ 1,1664,731 as of September 30, 2022 which raises uncertainties as to the ability of the Company to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

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 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 ability to raise funds.

2. Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective as of September 30, 2022.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements were approved for issue by the Board of Directors on February 3, 2023.

Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may vary from these estimates.

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

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

2. Significant accounting policies (cont'd)

a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

b) The recoverability and measurement of deferred tax assets and liabilities

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

c) The estimated useful lives and residual value of equipment

The calculation of depreciation involves estimates concerning the economic life and salvage value of equipment.

d) Leases

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

Plant and Equipment

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

Financial instruments

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

2. Significant accounting policies (cont'd)

Financial instruments

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

Financial assets

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

Classification and measurement

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

(i) Amortized cost – Financial assets held for collection of contractual cash flows that meet the SPPI test are measured at amortized cost. Interest income is recognized as Other income (expense) in the financial statements, and gains/losses are recognized in net income (loss) when the asset is derecognized or impaired.

(ii) Fair value through other comprehensive income ("FVOCI") – Financial assets held to achieve a particular business objective other than short-term trading are designated at FVOCI. IFRS 9 also provides the ability to make an irrevocable election at initial recognition of a financial asset, on an instrument-by-instrument basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVOCI. There is no recycling of gains or losses through net income (loss). Upon derecognition of the asset, accumulated gains or losses are transferred from other comprehensive income ("OCI") directly to Deficit.

(iii) FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

The Company measures cash at amortized cost.

Financial liabilities

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

(i) FVTPL – Derivative financial instruments entered into by the Company that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net income (loss).

(ii) Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net income (loss) when the liabilities are derecognized as well as through the amortization process.

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

2. Significant accounting policies (cont'd)

Provisions

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

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

Impairment of assets

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

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

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Related party transactions

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

Leases

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

2. Significant accounting policies (cont'd)

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

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

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

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

3. New standards, amendments and interpretations

The Company has reviewed the impact of new and amended standards that are effective for annual periods beginning on or after October 1, 2022. It does not expect the impact on the financial statements to be material, although additional disclosure may be required.

4. Receivable

Current receivables consist of government harmonized sales taxes receivable at September 30, 2022 of $55,869 (September 30, 2021 - $30,277).

5. Inventory

Inventory at September 30, 2022 of $3,019 (September 20, 2021 - $8,458) consists of raw material costs to be used in production of the finished products.

(Expressed in Canadian dollars)

6. Plant and equipment

	Leasehold Improvements $	Equipment $	Right to Use Assets $	Total $
Costs				
Opening balance	38,264	64,978	41,946	145,188
Additions	8,876	35,530	97,220	141,626
September 30, 2021	47,140	100,508	139,166	286,814
Additions	-	-	-	-
September 30, 2022	47,140	100,508	139,166	286,814
Depreciation				
Opening balance	-	-	3,701	3,701
2021 depreciation	7,304	6,688	14,472	28,464
September 30, 2021	7,304	6,688	18,173	32,165
2022 depreciation	11,124	10,056	14,234	35,414
September 30, 2022	18,428	16,744	32,407	67,579
Net Book Value September 30, 2021	39,836	93,820	56,234	254,649
Net Book Value September 30, 2022	28,712	83,764	106,759	219,235

7. Intangible asset

On June 30, 2020, the Company entered into an Intellectual Property Assignment Agreement with a related entity, 100 THX Inc., whereby 100 THX Inc. assigned and transferred certain intellectual property to the Company in exchange for 1,170,000 common shares, valued at $0.05 per share for a total value of $58,500. During the year ended September 30, 2022, $8,400 (2021 - $4,900) was amortized and the value at September 30, 2022 was $45,200 (September 30, 2021 - $53,600). The Company is amortizing the asset over 7 years.

8. Accounts payable and accrued liabilities

	September 30, 2022	September 30, 2021
	$	$
Accounts payable	170,142	83,116
Accrued liabilities	32,458	12,300
Wages payable	12,344	-
	214,944	95,416

9. Secured loan and interest payable

The Company signed two loan agreements with BMGB Capital Corp (“BMGB”) on May 6, 2020. One agreement provided for a loan of $25,000 and the other provided a line of credit for $75,000. Interest of 6% per annum, calculated and compounded monthly is charged on both loans. At September 30, 2022, the amount advanced to the Company was $78,500 (September 30, 2021 - $98,500) and interest of $13,562 was accrued for a total payable of $92,062 (September 30, 2021 - $105,557). The loan was originally due on December 31, 2020 but under the latest amending agreement, has been extended to March 31, 2023. It is secured by a general security agreement covering all current and future assets.

(Expressed in Canadian dollars)

10. Lease liability

The Company entered a contractual arrangement to lease premises starting May 1, 2020. On February 20, 2021, the terms of the lease were changed to reflect an increase in square footage occupied and the lease was extended for an additional two years. The terms of the lease call for minimum monthly lease payments of $1,347 until March 31, 2021, $1,510 for two years and three months, $1,626 for the fourth year and $1,664 for the fifth year. The Company recorded the lease and a right-to-use asset of $41,946 initially and increased both by $97,220 when the terms of the lease were changed for a total value of $139,166. As the option to renew was likely to be exercised and the lease extended a further 5 years, the net present value was calculated to include the additional 5 year term. The present value of the payments was discounted at 7%. (See Note 19)

Future lease payment are as follows:

	Year ended September 30, 2022 $
2023	-
2024	18,998
2025	19,741
2026	19,974
2027	19,974
2028	19,974
Thereafter	49,933
Total lease payments	148,594
Discount	33,468
Payments on principal	115,126
Current principal payments	11,288
Long term portion	103,838

11. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There are 14,500,000 shares issued and outstanding as at September 30, 2022 (September 30, 2021 – 14,500,000). The transactions giving rise to these shares are as follows:

No shares were issued during the year ended September 30, 2022

During the year ended September 30, 2021

- On October 1, 2020, the Company issued 6,065,000 common shares at a price of $0.075 each for total possible proceeds of $454,875. However, $330,000 were received in the prior year and $4,875 relate to an obligation to paid in shares incurred in the prior year. Accordingly, net proceeds received in the year ended September 30, 2021 were $120,000.

(Expressed in Canadian dollars)

12. Related party transactions

The Company considers officers and members of the Board of Directors as related parties. Key management costs for the year ended September 30, 2022, is $258,966 (2021 - $280,635). Remuneration was made to the following officers and directors and their close family members, or to companies controlled by these officers and directors:

	Year ended September 30, 2022	Year ended September 30, 2021
	$	$
CEO and director management fees, accrued or paid	96,000	96,000
CFO and director management fees, accrued or paid	36,000	54,086
Management fees paid accrued or paid to director	52,800	52,800
Consulting fees paid or accrued to a company controlled by a director	69,666	69,666
Rent paid or accrued to CFO	4,500	-
Lease paid to a company controlled by directors	-	8,083
Total	258,966	280,635

As at September 30, 2022, an amount of $558,825 (September 30, 2021 - $287,720) was due to related parties for unpaid fees, lease and advances, and $69,354 in loans (September 30, 2021 $38,000). The amounts are unsecured, without interest and due on demand.

13. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to pursue the Company's objectives. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the management of capital, the Company includes its cash balances and components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

14. Financial instruments and other instruments

	Ref.	**September 30, 2022**	**September 30, 2021**
		$	**$**
Other financial assets	a	1,535	4,071
Other financial liabilities	b	1,081,100	659,365

a. Comprised of cash
b. Comprised of accounts payable and accrued charges, amounts due to related parties, loans and interest payable and lease payable. Payables of $31,864 (2021 - $14,668) to government agencies are excluded.

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

Financial risk management

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of accounts at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. At September 30, 2022, management considers the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at September 30, 2022, the Company had a cash balance of $1,535 (September 30, 2021 - $4,071) to settle current liabilities of $1,009,125 (September 30, 2021 - $558,907). So far, the Company's source of funding has been the issuance of equity securities for cash through private placements and advances from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding or advances from related parties.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

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

a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At September 30, 2022, the Company was not exposed to significant interest rate risk.

b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company is not currently subject to price risk as it is not listed on a public stock exchange.

15. Commitments

The Company leases the premises at Unit 1 - 5205 Harvester Road, Burlington, Ontario of approximately 1,852 square feet with the lease paid monthly at the beginning of each month. Effective April 1, 2021, the rate for two years is $18,115 annually, effective April 1, 2023, the rate changes to $19,509 annually for one year and effective April 1, 2024, the rate is $19,974 for the final year. The term of the lease is for a total of five years commencing May 1, 2020. The lease is renewable at the Company's option and has been classified as a right-to-use asset.

On January 18, 2021, the Company entered into a share exchange agreement with BMGB that was subsequently amended on March 31, 2021, June 30, 2021,September 30, 2021, December 31, 2021, June 13, 2022, September 30, 2022 and December 31, 2022, stipulating a latest closing date of March 31, 2023. The transaction is intended to qualify as BMGB's qualifying transaction pursuant to the policies of the TSX Venture Exchange. Under the terms of the agreement, the Company's shareholders will sell 100% of their shares in the Company and receive 21,340,000 shares of BMGB, at a deemed price of $0.15, representing an aggregate valuation for the Company of $3,201,000. Closing is subject to completion of certain conditions precedent, including without limitation: completion by BMGB of a private placement for gross proceeds of no less than $2,000,000; the preparation and filing of a Filing Statement with the Exchange and receipt of all necessary regulatory and Exchange approvals. The Company is committed to issue 340,000 shares for finder's fees.

16. Segment information

The Company has one reportable segment, being the manufacture and research of nano-technology products and materials using Computerized Nano-meter Algorithms in Ontario, Canada.

17. Supplemental disclosure with respect to cash flows

For the year ended September 30, 2022:
a. Included in inventory was $569 that was unpaid at the year end and was included in amounts due to related party.

For the year ended September 30, 2021:
a. Lease payments of $13,959 were unpaid at the year end and were included in amounts due to related party.
b. The Company capitalized $97,220 in future lease payments as a right-to-use asset.
c. Adjustments made for unpaid amounts for equipment purchased September 30, 2020 of $13,552 in accounts payable and $15,672 were reversed as those expenditures were paid during the year ended September 30, 2021.

(Expressed in Canadian dollars)

18. Income taxes

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

	September 30, 2022	September 30, 2021
	$	$
Net loss for the period	(465,128)	(526,259
Expected income tax (recovery)	(123,000)	(139,000)
Unrecognized tax benefits	123,000	139,000
Income tax recovery	-	-

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

	September 30, 2022	September 30, 2021
	$	$
Non-capital losses	425,000	312,000
Right-to-use asset	2,000	2,000
Equipment	9,000	3,000
Intangible asset	4,000	-
Valuation allowance	(440,000)	(317,000)
Deferred tax assets recognized	-	-

As at September 30, 2022, the Company has accumulated a non-capital loss for Canadian income tax purposes of approximately $1,605,100 that may be applied to reduce future taxable income. The ability to utilize this loss expires as follows: expiring in 2040 - $673,000; expiring in 2041 - $503,400; expiring in 2042 - $428,700.

19. Correction of error

The right to use asset, when originally calculated and then adjusted on February 20, 2021, did not take into account the probability of the option on the lease being exercised. As it was determined that the option is likely to be exercised and the lease extended a further 5 years, the net present value of the right to use asset has been re-calculated to include an additional 5 years, thereby increasing value of the right to use asset to $139,166.

The following changes were made retroactively to reflect the adjustment required.

Statement of Change in Financial Position, September 30, 2021

Account	**Previously Reported**	**Adjustment Required**	**Restated Balance**
	$	**$**	**$**
Plant and equipment	189,890	64,759	254,649
Total non-current assets	243,490	64,759	308,249
Total assets	286,296	64,759	351,055
Current portion of lease liability	14,457	(4,596)	9,861
Total current liabilities	563,503	(4,596)	558,907
Non-current lease liability	44,344	70,782	115,126
Total non-current liabilities	44,344	70,782	115,126
Total liabilities	607,847	66,186	674,033

(Expressed in Canadian dollars)

19. Correction of error (cont'd)

Statement of Change in Financial Position, September 30, 2021 (cont'd)

Account	**Previously Reported $**	**Adjustment Required $**	**Restated Balance $**
Accumulated deficit	(1,198,176	(1,427)	(1,199,603)
Total shareholders' deficit	(321,551)	(1,427)	(322,978)
Total liabilities and shareholders' deficit	286,296	64,759	351,055

Statement of loss and comprehensive loss for the year ended, September 30, 2021

Account	**Previously Reported $**	**Adjustment Required $**	**Restated Balance $**
Depreciation	29,678	(1,214)	28,464
Interest on lease	3,648	2,641	6,289
Total general and administrative expenses	(540,357)	(1,427)	(541,784)
Loss and comprehensive loss for the year	(524,832)	(1,427)	(526,259)

Statement of changes in equity for the year ended, September 30, 2021

Account	**Previously Reported $**	**Adjustment Required $**	**Restated Balance $**
Net loss and comprehensive loss for the year	(524,832)	(1,427)	(526,259)
Balance, accumulated deficit, end of year	(1,198,178)	(1,427)	(1,199,603)
Balance, shareholders' deficit, end of year	(321,551)	(1,427)	(322,978)

Statement of cash flows for the year ended, September 30, 2021

Account	**Previously Reported $**	**Adjustment Required $**	**Restated Balance $**
Net loss for the year	(524,832)	(1,427)	(526,259)
Depreciation	29,678	(1,214)	28,464
Interest on lease	3,648	2,641	6,289