Financial Statements

NAVCO Pharmaceuticals Inc.

NAVCO PHARMACEUTICALS

As at December 31, 2023

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	Notes	December 31, 2023	September 30, 2023
ASSETS		$	$
Cash		79,596	234,670
Receivable	5	56,495	46,271
Inventory of supplies		1,868	1,868
Prepaid expenses	6	259,226	428,405
Total current assets		397,185	711,214
Non-current assets			
Plant and equipment	7	174,966	183,821
Intangible asset	8	34,700	36,800
Total non-current assets		209,666	220,621
TOTAL ASSETS		606,851	931,835
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	140,304	239,916
Amounts due to related parties	12	542,784	491,830
Other loans, unsecured and without interest		7,500	8,800
Current portion of lease liability	10	13,220	12,876
Total current liabilities		703,808	753,422
Non-Current liabilities			
Lease liability	10	87,540	90,962
Total non-current liabilities		87,540	90,962
TOTAL LIABILIITES		791,348	844,384
SHARHOLDERS' EQUITY (DEFICIT)			
Share capital	11	3,347,982	3,347,982
Reserves	11	550,812	550,812
Accumulated deficit		(4,083,291)	(3,811,343)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		(184,497)	87,451
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		606,851	931,835

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

On behalf of the Board:

"Marek Jasinski" — Director

"Thomas Jusdanis" — Director

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

NAVCO PARMACEUTICALS INC .

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the periods ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	Notes	For the Three Months Ended December 31, 2023	For the Three Months Ended December 31, 2022
		$	$
General and administrative expenses			
Consulting fees	12	181,392	27,457
Amortization		2,100	2,100
Depreciation		8,854	8,854
Interest on loan		-	1,399
Interest on lease		1,799	1,999
Management fees	12	60,750	46,200
Office and general		10,226	9,360
Professional fees		543	(2,100)
Transfer agent and filing fees		6,284	-
		271,948	95,269
Loss and comprehensive loss for the period		(271,948)	(95,269)
Basic and diluted loss per common share		(0.01)	(0.01)
Weighted average number of common shares outstanding		40,350,441	21,340,000

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

NAVCO PHARMACEUTICALS INC.
For the period ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

		Number of shares	Share capital	Reserves	Accumulated Deficit	Shareholders' Equity (Deficit)
			$	$	$	$
Balance, September 30, 2022	*	21,340,000	876,625	-	(1,664,731)	(788,106)
Net loss and comprehensive loss for the period					(95,269)	(95,269)
Balance, December 31, 2022		21,340,000	876,625	-	(1,760,000)	(1,760,000)
Shares issued on reverse takeover						
to shareholders of BMGB		4,600,000	598,000	-	-	598,000
to finders		340,000	44,200	-	-	44,200
Shares issued in private placement		14,070,441	1,829,157	281,409	-	2,110,566
Share based payments		-	-	269,403	-	269,403
Net loss and comprehensive loss for the period		-	-	-	(2,051,343)	(2,051,343)
Balance, September 30, 2023		40,350,441	3,347,982	550,812	(3,811,343)	87,451
Balance, September 30, 2023		40,350,441	3,347,982	550,812	(3,811,343)	87,451
Net loss and comprehensive loss for the period		-	-	-	(271,948)	(271,948)
Balance, December 31, 2023		40,350,441	3,347,982	550,812	4,083,291	(184,497)

* On April 30, 2023, NAVCO Pharmaceuticals Limited exchanged its 14,500,000 for 21,340,000 shares of NAVCO Pharmaceuticals Inc., formerly BMGB Capital Corp. (the "Share Exchange"). The Share Exchange is reflected retrospectively in these financial statements.

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

NAVCO PHARMACEUTICALS INC.
STATEMENTS OF CASH FLOWS
For the periods ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	For the period ended December 31, 2023	For the period ended December 31, 2022
	$	$
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the period	(271,948)	(95,269)
Items not affecting cash		
Amortization	2,100	2,100
Depreciation	8,854	8,854
Interest on leases	1,799	1,999
Interest on loan	-	1,399
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(99,612)	6,600
Amounts due related parties	50,954	79,059
Receivable	(10,223)	44,433
Prepaid	169,179	-
Inventory	-	(1,480)
	(148,897)	47,695
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Loan proceeds (repayments)	(1,300)	(27,000)
Lease payments	(4,877)	(4,621)
	(6,177)	(31,621)
Change in cash for the period	(155,074)	16,074
Cash, beginning of the period	234,670	1,535
Cash, end of the period	79,596	17,609

For the period ended December 31, 2023 and 2022, there were no significant non-cash transactions.

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

1. Nature and continuance of operations

NAVCO Pharmaceuticals Inc (the "Company") was incorporated in the Province of British Columbia on April 21, 2018. The Company's registered and records office is 5205 Harvester Road, Unit 1, Burlington, Ontario, Canada

The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. As a CPC, the Company's principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). Such a transaction will be subject to shareholder and regulatory approval. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction.

On April 13, 2023, the Company completed a reverse takeover transaction (the "RTO") pursuant to a share exchange agreement (the "Share Exchange Agreement") dated January 18, 2021, as amended, between the Company and NAVCO Pharmaceuticals Limited ("Private Co"). Pursuant to the RTO the Company acquired all of the outstanding shares in Private Co in exchange for 21,340,000 shares of the Company. Upon completion of the RTO, the shareholders of Private Co controlled the Company and accordingly, the transaction was accounted for as a reverse acquisition of the Company by Private Co and Private Co was identified as the accounting acquirer. The historical operation, assets and liabilities of Private Co are included as the comparative figures as at and for the period ended December 31, 2023, which is deemed to be the continuing entity for financial reporting purposes.

Concurrently with the RTO, the Company issued 340,000 shares in finder's fees, closed a private placement for gross proceeds of $2,110,566 and changed its name to NAVCO Pharmaceuticals Inc.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. During the period ended December 31, 2023, the Company incurred a net loss and comprehensive loss of $271,948 (2022 - $95,269) and had an accumulated deficit of $ 4,083,291 as of December 31, 2023, which raises uncertainties as to the ability of the Company to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

NAVCO Pharmaceuticals Inc. 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, personal care products, textile, chemical and additive industries. The Company's products are tailored to defend against microorganisms such as viruses, bacteria, fungi, and infectious diseases.

2. Material Accounting Policy Disclosure Information

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective as of October 1, 2023.

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 27, 2024.

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

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.

In preparing these condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the period ended September 30, 2023.

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, 2023. It does not expect the impact on the financial statements to be material, although additional disclosure may be required.

4. Reverse Takeover Transaction ("RT0")

On April 13, 2023, the Company ("BMGB") completed a share exchange agreement with NAVCO Pharmaceuticals Limited ("Private Co"). The transaction was a qualifying transaction pursuant to the policies of the TSX Venture Exchange.

At the time of the RTO, BMGB did not meet the definition of a business as defined under IFRS 3 "Business Combinations". Hence, the qualifying transaction was accounted for as an asset acquisition in accordance with IFRS 2, "Share-Based Payment". Private Co was identified as the accounting acquirer that issued shares to acquire all the net asset of BMGB, the accounting acquiree, and its listing status. The financial statements are considered to be a continuation of the financial statements of Private Co, the accounting acquirer.

Under the terms of the agreement, Private Co shareholders exchanged 100% of their shares of Private Co and received 21,340,000 shares of BMGB. The resulting issuer became the listed entity under the name of NAVCO Pharmaceuticals Inc. Subsequent to the transaction, the Private Co shareholders hold 21,340,000 shares or 82.3% of the new entity and the BMGB shareholders hold 4,600,000 shares or 17.7%. The difference between the fair value of the consideration paid and the fair value of the assets has been expensed and is included in reverse acquisition transaction costs in the statements of loss and comprehensive loss. The fair value of the consideration paid is based on the actively traded share price of the Company subsequent to the transaction.

(Expressed in Canadian dollars)

4. Reverse Takeover Transaction ("RT0") (cont'd)

Concurrent with the RTO, the Company issued 340,000 shares in finder's fees, closed a private placement for gross proceeds of $2,110,566 and changed its name to NAVCO Pharmaceuticals Inc.

Fair value of consideration transferred -	
4,600,000 shares issued at a determined price of $0.13 per share	$ 598,000
Net assets of BMGB acquired	
Loan and interest receivable	94,747
Accounts payable	(90,718)
	4,029
Difference, reverse acquisition expense	593,971
Add costs of transaction	
Finder's fee of 340,000 shares at $0.13 per share	44,200
Legal costs	28,877
Total cost of reverse takeover transaction	$ 667,048

5. Receivable

Current receivables consist of government harmonized sales taxes receivable at December 31, 2023 of $56,495 (September 30, 2023 - $46,271).

6. Prepaid expenses

Prepaid expenses consist of prepaid consulting fees at September 30, 2023 of $259,226 (September 30, 2023 - $428,405).

7. Plant and equipment

	Leasehold Improvements $	Equipment $	Right to Use Assets $	Total $
Costs				
September 30, 2023	47,140	100,508	139,166	286,814
Additions	-	-	-	-
December 31, 2023	47,140	100,508	139,166	286,814
Depreciation				
September 30, 2023	29,552	26,800	46,641	102,993
Depreciation	2,781	2,514	3,559	8,854
December 31, 2023	32,333	29,314	50,200	111,847
Net Book Value at September 30, 2023	17,588	73,708	92,525	183,821
Net Book Value at December 31, 2023	14,806	71,195	88,966	174,966

(Expressed in Canadian dollars)

8. 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 period ended December 31, 2023, $2,100 (2022 - $2,100) was amortized and the value at December 31, 2023 was $34,700 (September 30, 2023 - $36,800). The Company is amortizing the asset over 7 years.

9. Accounts payable and accrued liabilities

	December 31, 2023	September 30, 2023
	$	$
Accounts payable	101,000	108,277
Accrued liabilities	27,000	119,295
Wages payable	12,344	12,344
	140,304	239,916

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%.

Future lease payment are as follows:	Period ended December 31, 2023
	$
2024	14,863
2025	19,974
2026	19,974
2027	19,974
2028	19,974
Thereafter	29,959
Total lease payments	124,718
Discount	(23,958)
Payments on principal	100,760
Current principal payments	(13,220)
Long term portion	87,540

(Expressed in Canadian dollars)

11. Share capital

a) ***Authorized share capital***

Unlimited number of common shares without par value.

Issued share capital

There are 40,350,441 shares issued and outstanding as at December 31, 2023.

The transactions giving rise to these shares are as follows:

No shares were issued during the period ended December 31, 2023.

Shares issued during the year ended September 30, 2023

	Number of shares	$
Balance, October 1, 2021	14,500,000	876,625
Adjustment for retroactive share exchange	6,840,000	-
Balance, September 30, 2022	21,340,000	876,625
Shares issued to BMGB on RTO (1)	4,600,000	598,000
Shares issued for finder's fees (2)	340,000	44,200
Shares issued on private placement (3)	14,070,441	1,829,157
Balance, December 31, 2023 and September 30, 2023	40,350,441	3,347,982

(1) On April 13, 2023, the Company completed a share exchange agreement with NAVCO Pharmaceuticals Limited. fair value of $0.13.
(2) Finder's fees payable to a third party under the terms of the RTO.
(3) Concurrent with RTO, the Company closed a private placement financing for gross proceeds of $2,110,566 through the issuance of an aggregate of 14,070,441 units at a price of $0.15 per Unit. Each Unit is comprised of one common share of the Company and one common share purchase warrant exercisable for an additional share for two years at an exercise price of $0.25.

b) Warrants

The Company issued 14,071,441 share warrants as part of the private placement on April 13, 2023. The fair value of the warrants was $0.02 each as this represented the difference between the post transaction trading price of the shares of $0.13 and the unit price of $0.15. The total of $281,409 was credited to reserves. As at December 31, 2023 and September 30, 2023, there were 14,071,441 warrants outstanding with an excise price of $0.25 per share expiring on April 13, 2025.

c) Stock options

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option will not be less than the discounted market price of the common shares as permitted by the Exchange policies, and provided that, if the Company is a CPC, the option price shall not be lower than the IPO share price. The options can be granted for a maximum term of 10 years.

(Expressed in Canadian dollars)

11. Share capital (cont'd)

c) Stock options

During the period ended December 31, 2023, the Company granted nil (September 30, 2022 – 2,300,000) stock options to officers, and consultants.

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

	December 31, 2023		September 30, 2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of the year	2,150,000	0.15	-	-
Granted	-	-	2,300,000	0.15
Cancelled	-	-	150,000	0.15
Outstanding and exercisable, end of the year	2,150,000	0.15	2,150,000	0.15

All stock options expire on April 13, 2033.

d) Reserves

Reserves relate to the value of stock options granted, warrants issued as part of a unit offering and as compensatory options and warrants that have been issued by the Company.

12. Related party transactions

The Company considers officers and members of the Board of Directors as related parties. Key management costs for the period ended December 31, 2023, is $60,750 (2022 - $46,200). Remuneration was made to the following officers and directors and their close family members, or to companies controlled by these officers and directors:

	Period ended December 31, 2023	Period ended December 31, 2022
	$	$
CEO management fees, accrued or paid	22,500	24,000
CFO management fees, accrued or paid	10,500	9,000
Management fees paid or accrued to directors	27,750	13,200
Consulting fees paid or accrued to a company controlled by a director	-	18,756
Rent paid or accrued to CFO	-	
Total	60,750	64,956

As at December 31, 2023, an amount of $520,784 (September 30, 2023 - $469,880) was due to related parties for unpaid fees, lease and advances, and $22,000 in loans (September 30, 2023 - $21,950). The amounts are unsecured, without interest and due on demand.

(Expressed in Canadian dollars)

13. Financial instruments and other instruments

	Ref.	December 31, 2023	September 30, 2023
		$	**$**
Other financial assets	a	79,596	234,670
Other financial liabilities	b	776,401	829,437

a. Comprised of cash
b. Comprised of accounts payable and accrued charges, amounts due to related parties, loans and interest payable and lease payable. Payables of $14,947 (September 30, 2023 - $14,947) to government agencies are excluded.

Financial risk management

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

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 December 31, 2023, 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.

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

Liquidity risk (cont'd)

As at December 31, 2023, the Company had a cash balance of $79,596 (September 30, 2023 - $234,670) to settle current liabilities of $703,808 (September 30, 2023 - $753,422). So far, the Company's source of funding has been the issuance of equity securities for cash through private placements and advances from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding or advances from related parties.

Market risk

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

a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At December 31, 2023, 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.

14. 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.

15. 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.

16. Subsequent events

- On January 18, 2024, the Company announced that it has completed the acquisition of all the issued and outstanding shares of SL Immuno Pharma Corp. and issued an aggregate of 16,719,100 common shares in the capital of the Company pro rata to the SL Immuno Shareholders at a deemed price of $0.05 per payment Share.

- On January 30, 2024, the Company announced that it intends to amend the exercise price of 14,070,441 common share purchase warrants originally issued on April 13, 2023 were issued with an exercise price of $0.25 per common share. The Company intends to amend the exercise price of the unexercised Warrants to $0.10 per Common Share.

  The Warrants, as amended, will be subject to an accelerated expiry provision such that if for any ten consecutive trading days during the unexpired term of the Warrants, the closing price of the Company's common shares on the TSX Venture Exchange exceeds $0.125 (representing the amended Warrant exercise price of $0.10 plus 25%), the exercise period of the Warrants will be reduced to 30 days, starting seven days after the last Premium Trading Day. The Company will announce any such accelerated expiry date by press release. All other terms of the Warrants remain unchanged.