

MUSTGROW BIOLOGICS CORP.

Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Unaudited)

Expressed in Canadian Dollars

MUSTGROW BIOLOGICS CORP.
Condensed interim consolidated statements of financial position
Unaudited
(Expressed in Canadian Dollars)

| | March 31 2019 | December 31 2018 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,401,303 | \$ 507,329 |
| GST receivable | 11,543 | 25,815 |
| Prepaid expenses | 2,474 | 1,134 |
| Total assets | \$ 1,415,320 | \$ 534,278 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 81,208 | \$ 104,148 |
| Current portion of long-term debt (note 5) | 339,147 | - |
| Due to related parties (note 7) | 205,734 | 205,734 |
| | 626,089 | 309,882 |
| Non-current liabilities | | |
| Long-term debt (note 5) | 382,271 | 709,950 |
| Total liabilities | 1,008,360 | 1,019,832 |
| EQUITY | | |
| Share capital (note 6) | 8,703,858 | 7,552,326 |
| Contributed surplus | 1,134,329 | 1,108,517 |
| Deficit | (9,431,227) | (9,146,397) |
| | 406,960 | (485,554) |
| Total liabilities and equity | \$ 1,415,320 | \$ 534,278 |

See note 1 – Nature and continuance of operations
The accompanying notes are an integral part of these consolidated financial statements

MUSTGROW BIOLOGICS CORP.

Condensed interim consolidated statements of loss and comprehensive loss

Unaudited

(Expressed in Canadian Dollars)

| | Three months ended March 31, | |
|---|------------------------------|-----------------------|
| | 2019 | 2018 |
| Revenue | | |
| Sales | \$ - | \$ - |
| Expenses | | |
| Research and development | \$ 7,588 | \$ 1,355 |
| Regulatory | 1,159 | 4,367 |
| Corporate communications | 20,421 | 203,782 |
| Listing fees (note 4) | - | 885,983 |
| Office and administration | 141,149 | 79,292 |
| Patent expenses | 2,501 | 14,993 |
| Professional fees | 74,731 | 12,933 |
| Stock-based compensation | 25,812 | - |
| | \$ 273,361 | \$ 1,202,705 |
| Loss before the following | \$ (273,361) | \$ (1,202,705) |
| Finance cost (note 5) | (11,469) | (10,060) |
| Net loss for the period | \$ (284,830) | \$ (1,212,765) |
| Total comprehensive loss for the period | \$ (284,830) | \$ (1,212,765) |
| Net loss per share, basic and diluted | \$ (0.01) | \$ (0.10) |
| Weighted average number of shares outstanding, basic and diluted | 24,985,575 | 12,495,264 |

See note 1 – Nature and continuance of operations

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

MUSTGROW BIOLOGICS CORP.
Condensed interim consolidated statements of changes in equity (deficiency)
Unaudited
(Expressed in Canadian Dollars)

| | <u>Number of Common Shares</u> (note 6) | <u>Share Capital</u> | <u>Contributed Surplus</u> | <u>Deficit</u> | <u>Total</u> |
|-----------------------------------|--|--------------------------|--------------------------------|-----------------------|-------------------|
| Balance, December 31, 2017 | 10,454,154 | \$ 5,582,461 | \$ 465,173 | \$ (7,253,020) | \$ (1,205,386) |
| Amalgamation | 6,098,888 | 1,036,811 | - | - | 1,036,811 |
| Issuance of shares and warrants | 6,720,000 | 933,054 | 530,476 | - | 1,463,530 |
| Net and comprehensive loss | - | - | - | (1,212,765) | (1,212,765) |
| Balance, March 31, 2018 | <u>23,273,042</u> | <u>\$ 7,552,326</u> | <u>\$ 995,649</u> | <u>\$ (8,465,785)</u> | <u>\$ 82,190</u> |
| Balance, December 31, 2018 | 23,273,042 | \$ 7,552,326 | \$ 1,108,517 | \$ (9,146,397) | \$ (485,554) |
| Issuance of shares | 1,712,533 | 1,151,532 | - | - | 1,151,532 |
| Stock-based compensation | - | - | 25,812 | - | 25,812 |
| Net and comprehensive loss | - | - | - | (284,830) | (284,830) |
| Balance, March 31, 2019 | <u>24,985,575</u> | <u>\$ 8,703,858</u> | <u>\$ 1,134,329</u> | <u>\$ (9,431,227)</u> | <u>\$ 406,960</u> |

See note 1 – Nature and continuance of operations
The accompanying notes are an integral part of these consolidated financial statements

MUSTGROW BIOLOGICS CORP.
Condensed interim consolidated statements of cash flows
Unaudited
(Expressed in Canadian Dollars)

| | Three months ended March 31, | |
|--|------------------------------|---------------------|
| | 2019 | 2018 |
| Operating Activities | | |
| Net loss | \$ (284,830) | \$ (1,212,765) |
| Items not affecting cash | | |
| Listing fees | - | 885,983 |
| Finance cost on long-term debt (note 5) | 11,469 | 10,060 |
| Stock-based compensation | 25,812 | - |
| Net changes in non-cash working capital items: | | |
| Change in working capital acquired on acquisition | - | 27,044 |
| Accounts receivable | | (2,100) |
| GST receivable | 14,272 | (10,527) |
| Prepaid expenses | (1,340) | 2,040 |
| Accounts payable and accrued liabilities | (22,941) | (96,818) |
| Cash used in operating activities | (257,558) | (397,083) |
| Financing Activities | | |
| Cash acquired in acquisition | - | 4,990 |
| Issuance of shares | 1,151,532 | 1,463,530 |
| Cash provided by financing activities | 1,151,532 | 1,468,520 |
| Net increase (decrease) in cash during the year | 893,974 | 1,071,437 |
| Cash, beginning of period | 507,329 | 7,156 |
| Cash, end of period | \$ 1,401,303 | \$ 1,078,593 |

See note 1 – Nature and continuance of operations
The accompanying notes are an integral part of these consolidated financial statements

1. Nature and continuance of operations

MustGrow Biologics Corp. (formerly Duport Capital Ltd.) (the “Company”) was incorporated on December 2, 2014 as 1020673 BC Ltd. under the laws of the province of British Columbia, Canada.

On March 13, 2018 the Company completed a three-cornered amalgamation (the “Amalgamation”) pursuant to an amalgamation agreement between the Company, MPT Mustard Products & Technologies Inc. (“MPT”) and 102023826 Saskatchewan Ltd. (“Subco”), a wholly-owned subsidiary of the Company. Pursuant to the terms of the amalgamation agreement the Company acquired all of the issued and outstanding MPT common shares and MPT common share purchase warrants in exchange for the Company’s common shares and common share purchase warrants and MPT and Subco amalgamated pursuant to the provisions of The Business Corporations Act (Saskatchewan) and continued operations under the MPT name. The Company issued one common share for every two MPT common shares and one warrant for every two MPT warrants, for aggregate consideration of 10,454,154 common shares (post-consolidation) of the Company and 1,289,837 warrants of the Company being issued to the MPT shareholders and warrant holders. These consolidated financial statements are a continuation of the financial statements of MPT. See Note 4.

On March 29, 2018 the Company changed its name to MustGrow Biologics Corp.

The Company was previously a business development services company. Following the amalgamation, the company is now a technology development company developing new, novel, natural biopesticide products from mustard seed.

The head office, principal address, records office and registered address of the Company are located at 1005 – 201 1st Ave. S., Saskatoon, Saskatchewan, S7K 1J5, Canada.

These financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at and for the three months ended March 31, 2019, the Company has an accumulated deficit of \$9,431,227, negative operating cash flows of \$257,558 and a total net loss and comprehensive loss of \$284,830.

The Company’s ability to continue as a going concern depends on its ability to continue raising capital through share offerings to support the development of its products and to fund its operations. Although the Company has been successful in the past in raising capital through share placements, there is no assurance that this will continue to be successful.

The conditions described above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the Company is unable to obtain additional financing, the Company will have insufficient funds to continue operations.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of preparation

The financial statements of the Company are prepared on a consolidated basis and include the operations and financial position of the Company and its wholly owned subsidiary MPT.

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board, using accounting policies consistent with those used in the Company's annual financial statements for the year ended and as of December 31, 2018. They do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements.

3. Changes in significant accounting policies

New accounting standards adopted

The Company applied IFRS 16, *Leases* for the first time. This is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of the lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the asset. Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Based on the Company's assessment, there is no transitional impact in adopting the lease accounting requirements.

4. Reverse acquisition

Effective March 13, 2018, Duport Capital Ltd. ("Duport") entered into an amalgamation agreement with MPT Mustard Product Technologies Inc. ("MPT") and 102023826 Saskatchewan Ltd. ("Subco") to which Duport agreed to acquire all the securities of MPT after its amalgamation with Subco. The transaction was considered a reverse acquisition of MPT by Duport as defined in IFRS 3 Business Combinations. Accordingly, for accounting purposes, MPT was deemed to be the acquirer and Duport was deemed to be the acquiree under the transaction. Under this basis of accounting, the consolidated entity is considered to be a continuation of MPT, with the net identifiable assets of Duport deemed to have been acquired by MPT. Hence, MPT's balances were accounted for at cost and Duport was accounted for at fair value. The book value of Duport's assets and liabilities as at March 13, 2018 approximated their fair values as at that date. Since Duport does not meet the definition of a business, the transaction was accounted for under the provisions of IFRS 2 Share-based payment.

The difference between the fair value of the consideration and Duport's net assets has been recognized as a public listing expense in the statement of net loss and comprehensive loss.

The following represents management's estimate of the fair value of the net assets of Duport acquired at the date of the completion of the reverse acquisition:

MUSTGROW BIOLOGICS CORP.

Notes to the condensed interim consolidated financial statements

Unaudited

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2019

| | |
|--|-------------------|
| Fair value of share consideration paid (a) | \$1,036,811 |
| Loan payable from MPT to Duport (see note 7) | <u>(175,000)</u> |
| Total consideration | 861,811 |
| Allocated as follows: | |
| Cash | 4,990 |
| Trade and other receivables | 29,077 |
| Accounts payable and accrued liabilities | <u>(58,239)</u> |
| Net liabilities of Duport assumed | <u>(24,172)</u> |
| Public listing costs | \$ <u>885,983</u> |

(a) The purchase consideration above was estimated based on the fair value attributed to the common shares that MPT would have had to issue to shareholders of Duport to acquire the same percentage equity interest in the combined entity that results from the reverse acquisition. The consideration paid was determined as equity-settled share-based payment under IFRS 2, at the fair value of the equity of MPT retained by the shareholders of Duport based on the fair value of the MPT common shares on the date of closing of the RTO, which was determined to be \$0.17 per share based on the equity raise on March 20, 2018.

In connection with the completion of the reverse acquisition transaction, the shareholders of MPT exchanged their shares for common shares of Duport on a two for one basis, and the MPT shares were cancelled. All outstanding MPT warrants were cancelled and replaced with Duport warrants (see note 6). On closing, the MPT shareholders held 10,454,154 shares (63%) and the Duport shareholders held 6,098,888 shares (37%) of the amalgamated company. The transaction, in substance, results in MPT being listed as a public entity and its shareholders acquiring the net assets of Duport. All equity of Duport is eliminated pursuant to the transaction.

5. Debt

| | March 31 2019 | December 31 2018 |
|---|--------------------------|-----------------------------|
| Ag-West Bio Inc. Loan | 382,271 | 382,271 |
| Saskatchewan Minister of Agriculture Loan | 339,147 | 327,679 |
| | <u>721,418</u> | <u>709,950</u> |
| Less current portion | <u>(339,147)</u> | - |
| | <u>382,271</u> | <u>709,950</u> |

Under the terms of the Ag-West Bio Inc. loan, the Company will pay Ag-West a royalty of 5.00% of all gross revenues received by the Company or an affiliate commencing on the date the Company or its affiliates have attained \$500,000 in cumulative revenues beginning May 5, 2017. Gross revenue received is defined in the amendment to include all sources of revenue, including product sales, licensing revenue, sub-

MUSTGROW BIOLOGICS CORP.

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Three Months Ended March 31, 2019

licensing revenue, and royalty revenue received, as well as proceeds derived from the sale of the assets or sales of MPT or an affiliate as part of a divestiture of the business or that would result in a change of control. The maximum amount Ag-West may receive under this agreement is \$750,000, with the first \$382,271 payments to be applied to pay down the principal outstanding. Ag-West has retained its general security interest in all of the Company's assets.

Under the terms of the Saskatchewan Minister of Agriculture loan, the principal amount of \$377,063 will be due on the earlier of February 1, 2020 and the day on which the Company earns cumulative revenue in excess of \$250,000 from the commercial sale of the products or technology with no interest accruing until this point in time. At such time, interest will be accrued at the prime rate plus 2% and increased to 10% per annum for any principal and interest in arrears. Interest accretion on this loan is being recorded at an effective rate of 14%. For the three months ended March 31, 2019, non-cash interest expense of \$11,469 was recorded (March 31, 2018 – \$10,060).

As at March 31, 2019 and December 31, 2018 there was \$205,734 owing to a related party, which is a shareholder of the Company. The amount is unsecured, non-interest bearing and payable seven days following the substantial sale of all of the assets of the Company. Notwithstanding, the Company intends to repay the amount when cash flow permits and therefore classifies the amount as a current liability. There are no restrictions on prepayment nor any prepayment penalty.

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Notes to the condensed interim consolidated financial statements

Unaudited

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2019

6. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

| | Number of Common Shares | Share Capital |
|-----------------------------------|-------------------------------|---------------------|
| Balance, December 31, 2017 | 10,454,154 | \$ 5,582,461 |
| Amalgamation | 6,098,888 | 1,036,811 |
| Issuance of shares and warrants | 6,720,000 | 933,054 |
| Balance, December 31, 2018 | <u>23,273,042</u> | <u>\$ 7,552,326</u> |
| Balance, December 31, 2018 | 23,273,042 | \$ 7,552,326 |
| Issuance of shares | 1,712,533 | 1,151,532 |
| Balance, March 31, 2019 | <u>24,985,575</u> | <u>\$ 8,703,858</u> |

The number of common shares above and loss per share information have been retroactively adjusted to reflect the 2 for 1 exchange of MPT shares pursuant to the Amalgamation (see Note 1).

As at December 31, 2017, Duport had 5,696,600 shares issued and outstanding. On February 19, 2018, Duport issued 14,429,654 additional shares then completed a 3.3:1 share consolidation, resulting in a total of 6,098,888 number of shares outstanding immediately before the Amalgamation.

As at December 31, 2017, MPT had 20,908,633 shares issued and outstanding, which also represents the total number of shares outstanding immediately before the Amalgamation. Due to the 2 for 1 exchange ratio on Amalgamation, the number of MPT shares outstanding have been retroactively adjusted to 10,454,154, which is reflected as the Company's number of shares outstanding as of December 31, 2017.

On March 13, 2018, the Company was deemed to issue 6,098,888 common shares pursuant to the Amalgamation (see Note 1), representing the number of Duport shares outstanding immediately before the Amalgamation.

On March 20, 2018, the Company completed an issuance of 6,720,000 units (the "Unit Offering") consisting of one common share and one warrant to purchase one common share at \$0.35 per share (the "Unit"). Issue price was \$0.25 per Unit. The issue price allocated to the share portion of the Unit was \$0.17 and \$0.08 was allocated to the warrant. Proceeds, net of cash issuance costs of \$216,470, were \$1,463,530. Additional non-cash issuance costs of \$91,392 were calculated to reflect the issuance of the Unit Warrants, as described below.

The Company completed a private placement of common shares and issued 1,662,533 shares on March 12, 2019 and 50,000 shares on March 13, 2019, in the aggregate amount of 1,712,533 shares, at \$0.70 per common share for gross proceeds of \$1,198,773. Net proceeds after share issuance costs were \$1,151,532.

Stock options

The Company has established a stock option plan (the "Option Plan") for directors, officers and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting period, and the exercise price of options granted to individuals under the Option Plan.

Each stock option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the aggregate number of common shares that are outstanding.

On December 17, 2018, the Company issued 2,200,000 options to directors, officers and consultants of the Company. Such options had an exercise price of \$0.25, a contractual life of five years and were vested 25% immediately and 25% on each of the next three anniversaries of issuance. The weighted-average fair value of these options at the date of issuance was estimated using the Black-Scholes option pricing model at \$0.10 per option, based on the following assumptions: expected annualized volatility of 100%; risk-free interest rate of 1.98%; expected dividend yield of 0%; expected life of three to five years. Stock based compensation of \$25,812 was recorded for the three months ended March 31, 2019.

A summary of the status of the stock options outstanding follows.

| <u>Exercise price</u> | <u>Options outstanding</u> | <u>Expiry date</u> | <u>Weighted average remaining contractual life (years)</u> | <u>Options exercisable</u> |
|-----------------------|----------------------------|--------------------|--|----------------------------|
| \$0.25 | 2,200,000 | 2023-12-17 | 4.72 | 550,000 |

Warrants

The Company has issued two types of warrants:

- Share warrants entitling the holder to acquire additional common shares of the Company at a fixed ratio of one for one (the "Share Warrants"); and
- Unit warrants entitling the holder to acquire additional Units of the Company at a fixed ratio of one for one (the "Unit Warrants").

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A summary of the status of the Share Warrants outstanding follows.

| | <u>Share Warrants</u> | <u>Weighted Average Exercise Price</u> |
|-----------------------------------|---------------------------|--|
| Balance, December 31, 2017 | 1,289,837 | \$ 0.84 |
| Issuance | 8,120,000 | 0.35 |
| Expiry | (789,837) | 1.19 |
| Balance, December 31, 2018 | <u>8,620,000</u> | <u>\$ 0.35</u> |
| Balance, March 31, 2019 | <u>8,620,000</u> | <u>\$ 0.35</u> |

The Company also has outstanding at March 31, 2019 and December 31, 2018, 537,600 Unit Warrants to acquire Units for \$0.25 per Unit. These Unit Warrants are separate from the Share Warrants and not included in the table above.

All warrant values have been retroactively adjusted to reflect the 2 for 1 exchange of MPT shares pursuant to the Amalgamation (see Note 1).

On March 20, 2018, the Company issued 6,720,000 Share Warrants pursuant to the Unit Offering and recorded a gross amount of \$537,600 in contributed surplus based on the fair value of the warrants, reduced by the allocated cost of issuance. Each warrant entitles the holder to purchase one common share at \$0.35 per share until March 19, 2020.

On October 30, 2018, the Company issued 1,400,000 Share Warrants to a financial advisor in exchange for services. Such warrants have an exercise price of \$0.35, expire March 20, 2020 and vest 50% immediately and 50% on March 1, 2019. The fair value of these warrants was estimated using the Black-Scholes option pricing model at \$0.04 per warrant, based on the following assumptions: expected annualized volatility of 100%; risk-free interest rate of 2.22%; expected dividend yield of 0%; expected life of 1.4 years. Stock based compensation of \$56,000 was recorded for the year ended December 31, 2018.

Pursuant to the Unit Offering on March 20, 2018, the Company issued 537,600 Unit Warrants to intermediaries as compensation for Unit placement, and are accounted for as equity-settled share-based payments to non-employees under IFRS 2, and recorded \$91,392 in contributed surplus with the corresponding amount treated as a cost of issuance for share capital and warrants. Each warrant entitles the holder to acquire one Unit at a price of \$0.25 per Unit, each Unit comprised of one common share and one warrant to purchase a common share at \$0.35 per share until March 19, 2020. The fair value of these Unit Warrants at the date of issuance was estimated using the Black-Scholes option pricing model at \$0.17 per warrant, based on the following assumptions: expected annualized volatility of 120%; risk-free interest rate of 1.81%; expected dividend yield of 0%; expected life of two years.

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(Expressed in Canadian Dollars)

Three Months Ended March 31, 2019

The following tables summarize the warrants that remain outstanding as at March 31, 2019:

| <u>Share Warrants</u> | <u>Exercise Price</u> | <u>Expiry</u> |
|---------------------------|---------------------------|---|
| 8,120,000 | \$ 0.35 | March 2020 |
| <u>500,000</u> | \$ 0.30 | 36 months following the date the Company becomes listed on the Canadian Stock Exchange |
| <u><u>8,620,000</u></u> | | |

| <u>Unit Warrants</u> | <u>Exercise Price</u> | <u>Expiry</u> |
|--------------------------|---------------------------|---------------|
| <u><u>537,600</u></u> | \$ 0.25 | March 2020 |

7. Related parties

During the three months ended March 31, 2019, the Company incurred professional fees of \$99,000 (2018 – \$30,000) to directors and officers of the Company.

During the three months ended March 31, 2019, stock-based compensation related to stock options issued to directors and officers of the Company totaled \$25,812.

As at March 30, 2019 there was \$12,680 (December 31, 2018 – \$11,613) payable to directors and officers of the Company.

As at March 31, 2019 and December 31, 2018 there was \$205,734 owing to a related party, which is a shareholder of the Company. The amount is unsecured, non-interest bearing and payable seven days following the substantial sale of all of the assets of the Company. Notwithstanding, the Company intends to repay the amount when cash flow permits and therefore classifies the amount as a current liability. There are no restrictions on prepayment nor any prepayment penalty.

8. Income taxes

For income tax purposes, the Company has non-capital losses which can be applied to reduce future years' taxable income. These losses expire as follows:

| | | |
|------|----|------------------|
| 2028 | \$ | 284,090 |
| 2029 | | 309,228 |
| 2030 | | 967,482 |
| 2031 | | 1,305,153 |
| 2032 | | 1,283,488 |
| 2033 | | 805,310 |
| 2034 | | 687,056 |
| 2035 | | 326,486 |
| 2036 | | 288,403 |
| 2037 | | 87,695 |
| 2038 | | 861,339 |
| | \$ | <u>7,205,730</u> |

Deferred tax assets have not been recognized in respect of tax losses because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

9. Financial instruments***Interest rate risk***

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's is not currently exposed to interest rate risk as there is no interest paid on debt outstanding.

Foreign currency risk

The company conducts certain of its operations in United States dollars and is limited to a small number of purchases in U.S. dollars which are recorded at the spot rate at the date of the transaction. As of March 31, 2019, the Company held U.S. dollar cash of \$362 (December 31, 2018 – \$412).

Liquidity risk

Liquidity risk arises from the possibility the company will not be able to meet its financial obligations as they become due or obtain financing as needed to pursue expansionary projects. Actual and forecasted cash flows are continuously monitored to reduce this liquidity risk. Management judges the future cash flows of the company are adequate to make payments as they become contractually due and existing banking arrangements are able to support the growth goals of the company. Refer to note 1 for disclosure regarding the company's ability to continue as a going concern.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum exposure to credit risk is the carrying amount of the accounts receivable, which is minimal.

Financial instrument carrying values and fair values

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For all current financial assets and financial liabilities, carrying amounts are assumed to approximate fair value due to the short-term maturities of these items and are in level 3, except for cash which is in level 1.

The long-term debt consists of the Ag-West Bio Inc. loan at March 31, 2019, and is valued using a discounted cash flow test taking into consideration the current market interest rate of interest with similar term to maturity and the company's current credit quality. As at March 31, 2019, the fair value of the long-term debt is \$382,271 (December 31, 2018 - \$709,950 which comprised of the Ag-West Bio Inc. and Saskatchewan Minister of Agriculture loans) and is classified as level 3 in the fair value hierarchy.

10. Prospectus

On March 25, 2019, the Company filed a non-offering preliminary long form prospectus with the financial regulators in each of Saskatchewan, Alberta and British Columbia. The prospectus is currently under review, pending approval. No securities are being offered pursuant to this prospectus. It was filed for the purpose of providing full public disclosure pursuant to the Company's application to list its common shares on the Canadian Securities Exchange.