MUSTGROW BIOLOGICS CORP.

Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2021

(Unaudited)

Expressed in Canadian Dollars

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

	September 30 2021	December 31 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,067,476	$ 3,312,797
GST receivable	17,619	33,271
Prepaid expenses and deposits	18,637	25,982
Total assets	**$ 3,103,732**	**$ 3,372,050**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	$ 163,823	$ 144,838
Current portion of long-term debt (note 4)	353,478	-
Note payable (note 4)	205,734	205,734
	723,035	**350,572**
Non-current liabilities		
Long-term debt (note 4)	382,271	696,503
Total liabilities	**1,105,306**	**1,047,075**
EQUITY		
Share capital (note 5)	15,871,353	14,140,922
Contributed surplus (note 5)	2,069,789	2,158,414
Deficit	(15,942,716)	(13,974,361)
	1,998,426	2,324,975
Total liabilities and equity	**$ 3,103,732**	**$ 3,372,050**

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

MUSTGROW BIOLOGICS CORP.
Condensed interim consolidated statements of loss and comprehensive loss
Unaudited
(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue				
Sales	$ 12,869	$ -	$ 12,869	$ -
Expenses				
Research and development	$ 57,376	$ 26,237	$ 278,741	$ 89,843
Regulatory	18,353	5,316	43,335	33,860
Corporate communications	33,815	157,700	105,825	862,469
Transfer agent and exchange fees	48,582	31,501	139,879	81,983
Office and administration (note 6)	176,119	122,597	520,909	433,496
Marketing and promotion	120,046	65,335	394,302	209,973
Patent expenses	62,197	38,648	125,065	100,888
Professional fees	66,508	12,730	119,474	68,173
Stock-based compensation (note 5)	112,469	154,149	214,447	622,974
	$ 695,465	$ 614,213	$ 1,941,977	$ 2,503,659
Loss before the following	$ (682,596)	$ (614,213)	$ (1,929,108)	$ (2,503,659)
Finance cost (note 4)	(13,519)	(11,554)	(39,247)	(34,318)
Gain on extinguishment of debt (note 4)	-	-	-	105,194
Net loss for the period	**$ (696,115)**	**$ (625,767)**	**$ (1,968,355)**	**$ (2,432,783)**
Total comprehensive loss for the period	**$ (696,115)**	**$ (625,767)**	**$ (1,968,355)**	**$ (2,432,783)**
Net loss per share, basic and diluted	$ (0.02)	$ (0.02)	$ (0.05)	$ (0.07)
Weighted average number of shares outstanding, basic and diluted	43,139,631	37,371,339	42,661,112	37,123,761

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

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

	Number of common shares	Share capital	Contributed surplus	Deficit	Total
	(note 5)				
Balance, December 31, 2019	36,325,084	$ 11,889,387	$ 1,806,239	$ (10,664,435)	$ 3,031,191
Exercise of warrants	1,046,255	448,015	(100,574)	-	347,441
Stock-based compensation	-	-	622,974	-	622,974
Net loss and comprehensive loss	-	-	-	(2,432,783)	(2,432,783)
Balance, September 30, 2020	37,371,339	$ 12,337,402	$ 2,328,639	$ (13,097,218)	$ 1,568,823
Balance, December 31, 2020	40,492,849	$ 14,140,922	$ 2,158,414	$ (13,974,361)	$ 2,324,975
Exercise of warrants	2,994,717	1,730,431	(303,072)	-	1,427,359
Stock-based compensation	-	-	214,447	-	214,447
Net loss and comprehensive loss	-	-	-	(1,968,355)	(1,968,355)
Balance, September 30, 2021	43,487,566	$ 15,871,353	$ 2,069,789	$ (15,942,716)	$ 1,998,426

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

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

	Nine months ended September 30, 2021	2020
Operating Activities		
Net loss	$ (1,968,355)	$ (2,432,783)
Items not affecting cash		
Finance cost on debt (note 4)	39,247	34,318
Gain on extinguishment of debt (note 4)	-	(105,194)
Stock-based compensation	214,447	622,974
Net changes in non-cash working capital items:		
GST receivable	15,652	7,645
Prepaid expenses and deposits	7,345	(155,509)
Accounts payable and accrued liabilities	18,984	(9,611)
Cash used in operating activities	**(1,672,680)**	**(2,038,160)**
Financing Activities		
Subscriptions receivable on issuance of units (note 5)	-	36,000
Exercise of warrants	1,427,359	347,441
Cash provided by financing activities	**1,427,359**	**383,441**
Net decrease in cash during the year	**(245,321)**	**(1,654,719)**
Cash, beginning of period	3,312,797	4,028,813
Cash, end of period	**$ 3,067,476**	**$ 2,374,094**

See note 1 – Nature and continuance of operations
The accompanying notes are an integral part of these condensed interim 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 29, 2018, the Company changed its name to MustGrow Biologics Corp. On January 1, 2020, the Company amalgamated with its wholly-owned subsidiary MPT Mustard Products & Technologies Inc. On May 7, 2020, the Company formed a wholly owned subsidiary, MustGrow Biologics Columbia S.A.S.

The company is an agriculture biotechnology 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 consolidated 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 nine months ended September 30, 2021, the Company has an accumulated deficit of $15,942,716, negative operating cash flows of $1,672,680 and a total net loss and comprehensive loss of $1,968,355.

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 MustGrow Biologics Colombia S.A.S.

Uncertainties surrounding COVID-19

The outbreak of the COVID-19 Coronavirus ("COVID-19") pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic is not known at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments or the impact on the financial position and financial results of the Company in future periods.

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, 2020. 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.

The financial statements were authorized for issuance by the Company's board of directors on November 24, 2021.

3. Significant accounting policies

New accounting standards adopted

None.

Accounting standards issued but not effective

Amendments to IAS 1 In January 2020, IASB issued Classification of Liabilities as "Current" or "Non-current", which amends IAS 1.

The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IAS 8 In February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8.

The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

(Expressed in Canadian Dollars)

4. Debt

	September 30 2021	December 31 2020
Ag-West Bio Inc. loan	382,271	382,271
Saskatchewan Minister of Agriculture loan	353,478	314,232
	735,749	696,503
Less current portion	353,478	-
	382,271	696,503

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 to include all sources of revenue, including product sales, licensing revenue, sub-licensing revenue, and royalty revenue received, as well as proceeds derived from the sale of the assets or sales of the Company 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 is due on March 1, 2022. Interest accrues at prime rate plus 2% commencing on the day on which the Company earns cumulative revenue in excess of $250,000 from the commercial sale of the products, provided such date is prior to March 1, 2022. Interest at a rate 10% per annum will accrue and be payable on demand on any principal and interest in arrears.

The terms of the Saskatchewan Minister of Agriculture loan were amended as of March 1, 2020. Previously the due date was February 1, 2020 and this was amended to March 1, 2022. Previously, interest accretion on this loan was recorded at an effective rate of 14%. Under the new terms, from February 1, 2020 onward, interest accretion is recorded at an effective rate of 17%. The amendment resulted in extinguishment of a portion of the debt and a gain of $105,194.

For the three and nine months ended September 30, 2021, non-cash interest expense of $13,519 and $39,247 was recorded (2020 – $11,554 and $34,318).

As at September 30, 2021 and December 31, 2020 there was a note payable of $205,734. The amount was unsecured, non-interest bearing and payable seven days following the substantial sale of all the assets of the Company.

(Expressed in Canadian Dollars)

5. 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, 2019	36,325,084	$ 11,889,387
Exercise of warrants	4,167,765	2,251,535
Balance, December 31, 2020	40,492,849	$ 14,140,922
Exercise of warrants	2,994,717	1,730,431
Balance, September 30, 2021	43,487,566	$ 15,871,353

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.

The following table presents the details of issuances of options. Such options have a contractual life of five years and were vested 25% immediately and 25% on each of the next three anniversaries of issuance. The fair value of these options at the date of issuance was estimated using the Black-Scholes option pricing model using the following assumptions.

Issuance date	Number of options	Exercise price	Estimated life	Risk-free rate	Volatility
1/14/2021	50,000	$ 2.10	3-5 years	0.37%	110%
12/14/2020	250,000	1.05	3-5 years	0.39%	110%
5/1/2020	1,050,000	0.34	3-5 years	0.34%	116%
7/17/2019	250,000	0.32	3-5 years	1.47%	87%
12/17/2018	2,200,000	0.25	3-5 years	1.98%	100%

(Expressed in Canadian Dollars)

Stock based compensation related to stock options of $110,569 and $184,981 was recorded for the three and nine months ended September 30, 2021 (2020 – $70,449 and $138,775).

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

Exercise price	Options outstanding	Expiry date	Weighted average remaining contractual life (years)	Options exercisable
$2.10	50,000	1/14/2026	4.29	12,500
$1.05	250,000	12/14/2025	4.21	62,500
0.34	1,050,000	5/1/2025	3.59	525,000
0.32	250,000	7/17/2024	2.80	187,500
0.25	2,125,000	12/17/2023	2.21	1,575,000

Warrants

The Company 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
- 2018 Unit warrants entitling the holder to acquire additional 2018 Units of the Company at a fixed ratio of one for one (the “2018 Unit Warrants”).

A summary of the status of the Share Warrants follows.

(Expressed in Canadian Dollars)

	Share warrants	Exercise price
Balance, December 31, 2019	14,544,551	$ 0.41
Issuance	550,000	0.40
Issuance	187,480	0.35
Issuance	2,050,000	0.35
Issuance	100,000	0.28
Issuance	100,000	0.78
Exercised	(876,361)	0.35
Exercised	(150,000)	0.30
Exercised	(300,000)	0.40
Exercised	(2,578,924)	0.50
Expired	(7,268,335)	0.35
Balance, December 31, 2020	6,358,411	$ 0.44
Exercised	(100,000)	0.28
Exercised	(350,000)	0.30
Exercised	(40,000)	0.35
Exercised	(2,404,717)	0.50
Exercised	(100,000)	0.78
Balance, September 30, 2021	3,363,694	$ 0.40

A summary of the status of the 2018 Unit Warrants follows.

	2018 Unit warrants	Weighted average exercise price
Balance, December 31, 2019	527,970	$ 0.25
Exercised	(187,480)	0.25
Expired	(340,490)	0.25
Balance, December 31, 2020	-	

(Expressed in Canadian Dollars)

The following table summarizes warrants issued to consultants of the Company as compensation for services. The fair value of these warrants was estimated using the Black-Scholes option pricing model.

					Assumptions			
Issue date	Number of warrants	Exercise price	Black Scholes estimated value	Stock-based compensation	Expected annualized volatility	Risk free rate	Expected life	Dividend yield
1/20/2020	550,000	$0.40	$0.23	$ 126,500	88%	1.68%	1-2 years	0%
5/1/2020	1,400,000	0.35	$0.18	$ 252,000	116%	0.31%	1-2 years	0%
6/16/2020	100,000	0.28	$0.16	$ 16,000	112%	0.28%	1-2 years	0%
9/11/2020	650,000	0.35	$0.19	$ 123,500	110%	0.25%	1-2 years	0%
12/1/2020	100,000	0.78	$0.32	$ 32,000	110%	0.20%	1 year	0%

Stock based compensation of $1,900 and $29,466 was recorded for these warrants for the three and nine months ended September 30, 2021 (2020 – $83,700 and $484,199).

During the nine months ended September 30, 2021, 2,994,717 Share Warrants were exercised, resulting in the issuance of 2,994,717 common shares.

The following tables summarize the warrants that remain outstanding at September 30, 2021:

Share warrants	Exercise price	Expiry
1,103,694	$ 0.50	December 2021
250,000	$ 0.40	January 2022
1,400,000	$ 0.35	April 2022
610,000	$ 0.35	September 2022
3,363,694		

6. Related parties

During the three and nine months ended September 30, 2021, the Company incurred consulting fees and office rent of $161,116 and $461,738 (2020 – $104,504 and $376,954) to companies controlled by directors and officers of the Company.

During the three and nine months ended September 30, 2021, stock-based compensation related to stock options issued to directors and officers of the Company totaled $87,830 and $137,218 (2020 – $64,761 and $128,621).

At September 30, 2021 there was $23,344 accrued and payable to companies controlled by directors and officers of the Company (December 31, 2020 – $38,939).

7. 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 September 30, 2021, the Company held U.S. dollar cash of $9,006 (December 31, 2020 – $13,698).

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

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. and Saskatchewan Minister of Agriculture loans 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. At September 30, 2021, the fair value of the long-term debt is $735,749 (December 31, 2020 - $696,503) and is classified as level 3 in the fair value hierarchy.

8. Subsequent events

On October 6, 2021, the Company completed a non-brokered private placement of 2,726,611 units at $2.60 per unit for gross proceeds of $7,089,189. Each unit consists of one Common Share and one-half warrant to purchase one Common Share. Each full warrant entitles the holder to acquire one Common share at a price of $4.00 per share for a period of 24 months following closing. The Company incurred cash issuance costs totaling $509,202. The Company also issued 27,000 warrants to purchase Common Shares as a unit issuance cost in connection with the private placement. Such warrants entitle the holder to acquire one Common share at a price of $3.65 per share for a period of 24 months following issuance. Non-cash share issuance costs related to these warrants were $38,070. Net proceeds after all share issuance costs were $6,541,917.

On November 4, 2021, the Company issued 56,366 Common Shares at the fair value of $3.65 per share to fully repay a $205,736 note payable to an independent party.