MUSTGROW BIOLOGICS CORP.

Consolidated Financial Statements

December 31, 2021 and 2020

Expressed in Canadian Dollars

Independent Auditor's Report

To the Shareholders of
MustGrow Biologics Corp.

Opinion

We have audited the consolidated financial statements of MustGrow Biologics Corp. and its subsidiary (the Company), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Ernst & Young LLP

Chartered Professional Accountants

Saskatoon, Canada
April 26, 2022

MUSTGROW BIOLOGICS CORP.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	December 31 2021	December 31 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,619,971	$ 3,312,797
GST receivable	64,296	33,271
Prepaid expenses and deposits	17,683	25,982
Total assets	**$ 9,701,950**	**$ 3,372,050**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	$ 496,085	$ 144,838
Current portion of long-term debt (note 4)	366,997	-
Note payable (note 4)	-	205,734
	863,082	**350,572**
Non-current liabilities		
Long-term debt (note 4)	382,271	696,503
Total liabilities	**1,245,353**	**1,047,075**
EQUITY		
Share capital (note 5)	23,031,182	14,140,922
Contributed surplus (note 5)	2,463,651	2,158,414
Deficit	(17,038,236)	(13,974,361)
	8,456,597	2,324,975
Total liabilities and equity	**$ 9,701,950**	**$ 3,372,050**

Signed on behalf of the Board,

/s/ Brad Munro   /s/ David Borecky

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

MUSTGROW BIOLOGICS CORP.
Consolidated statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Year ended December 31, 2021	2020
Revenue		
Sales	$ 12,869	$ -
Expenses		
Research and development	$ 458,382	$ 149,248
Regulatory	76,531	46,436
Corporate communications	133,250	1,041,917
Transfer agent and exchange fees	206,785	122,789
Office and administration (note 6)	955,635	675,393
Marketing and promotion	567,929	263,549
Patent expenses	203,591	187,678
Professional fees	151,066	105,335
Stock-based compensation (note 5)	270,810	776,903
	$ 3,023,979	$ 3,369,248
Loss before the following	$ (3,011,110)	$ (3,369,248)
Finance cost (note 4)	(52,765)	(45,872)
Gain on extinguishment of debt (note 4)	-	105,194
Net loss for the year	**$ (3,063,875)**	**$ (3,309,926)**
Total comprehensive loss for the year	**$ (3,063,875)**	**$ (3,309,926)**
Net loss per share, basic and diluted	$ (0.07)	$ (0.09)
Weighted average number of shares outstanding, basic and diluted	43,736,196	37,311,278

MUSTGROW BIOLOGICS CORP.
Consolidated statements of changes in equity
(Expressed in Canadian dollars)

	Number of common shares (note 5)	Share capital	Contributed surplus	Deficit	Total
Balance, December 31, 2019	36,325,084	$ 11,889,387	$ 1,806,239	$ (10,664,435)	$ 3,031,191
Exercise of warrants and stock options	4,167,765	2,251,535	(424,728)	-	1,826,807
Stock-based compensation	-	-	776,903	-	776,903
Net loss and comprehensive loss	-	-	-	(3,309,926)	(3,309,926)
Balance, December 31, 2020	40,492,849	$ 14,140,922	$ 2,158,414	$ (13,974,361)	$ 2,324,975
Balance, December 31, 2020	40,492,849	$ 14,140,922	$ 2,158,414	$ (13,974,361)	$ 2,324,975
Exercise of warrants	4,508,411	2,634,388	(501,341)	-	2,133,047
Issuance of units	2,726,611	6,050,138	535,768	-	6,585,906
Issuance of shares	56,366	205,734	-	-	205,734
Stock-based compensation	-	-	270,810	-	270,810
Net loss and comprehensive loss	-	-	-	(3,063,875)	(3,063,875)
Balance, December 31, 2021	47,784,237	$ 23,031,182	$ 2,463,651	$ (17,038,236)	$ 8,456,597

(Expressed in Canadian dollars)

	Year ended December 31, 2021	2020
Operating Activities		
Net loss	$ (3,063,875)	$ (3,309,926)
Items not affecting cash		
Finance cost on debt (note 4)	52,765	45,872
Gain on extinguishment of debt (note 4)	-	(105,194)
Stock-based compensation	270,810	776,903
Net changes in non-cash working capital items:		
GST receivable	(31,025)	(12,996)
Prepaid expenses and deposits	8,299	(18,404)
Accounts payable and accrued liabilities	351,247	44,922
Cash used in operating activities	**(2,411,779)**	**(2,578,823)**
Financing Activities		
Subscriptions receivable on issuance of units (note 5)	-	36,000
Issuance of units	6,585,906	-
Exercise of warrants	2,133,047	1,826,807
Cash provided by financing activities	**8,718,953**	**1,862,807**
Net increase (decrease) in cash during the year	**6,307,174**	**(716,016)**
Cash, beginning of year	3,312,797	4,028,813
Cash, end of year	**$ 9,619,971**	**$ 3,312,797**

1. Nature and continuance of operations

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

On May 7, 2020, the Company formed a wholly owned subsidiary, MustGrow Biologics Columbia S.A.S. This subsidiary was wound up on March 31, 2022.

The Company is 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.

2. Basis of preparation and consolidation

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.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

The financial statements were authorized for issuance by the Company's board of directors on April 26, 2022.

3. Significant accounting policies

Significant estimates, judgments and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions concerning the future, including the impact of the COVID-19 pandemic. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and stock-based compensation and other equity-based payments. Actual results may differ from those estimates.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Cash and cash equivalents

Cash and cash equivalents consist of balances held with financial institutions.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of net income for the current period.

Revenue from contracts with customers

At contract inception, the Company assesses the goods or services promised in a contract with a customer and identifies the distinct performance obligations. The Company recognizes revenue when or as the Company satisfies the performance obligation which is when control of the promised good or service is transferred to the customer. The Company recognizes the revenue at the amount of the transaction price that is allocated to that performance obligation, which excludes estimates of variable consideration that are constrained.

Segment reporting

An operating segment is a component of the Company that engages in business activities. An operating segment may earn revenue and incur expenses, including revenue and expenses incurred by virtue of activities with any of the Company’s other operations. An operating segment has discrete financial information available that is regularly reviewed by the Company’s Chief Operating Decision Maker (“CODM”) to assess performance or make resource allocation decisions. The CODM has been identified as the Chief Executive Officer. The Company has a single operating and reportable segment.

Financial instruments

The Company initially recognizes financial assets at fair value on the date they are originated, plus or minus transaction costs for financial assets not at fair value through profit or loss.

Financial assets are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company’s business model for managing the assets; and whether the instruments’ contractual cash flows represent “solely payments of principal and interest” on the principal amount outstanding (the “SPPI criterion”).

Cash and accounts receivable are subsequently measured at amortized cost as they are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and they meet the SPPI criterion. There are no financial assets classified as FVPL or FVOCI as at the reporting date.

For accounts receivables, the Company applies a simplified approach in calculating expected credit losses (“ECLs”). The Company recognizes a loss allowance based on lifetime ECL approach at each reporting date.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts payables and accrued liabilities and long-term debt, which are all subsequently measured at amortized cost using the effective interest rate method. There are no financial liabilities at FVPL nor derivatives as at the reporting dates.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of loss.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The Company does not have any financial assets or liabilities held at FVPL.

The fair value of cash is determined based on Level 1 inputs. As at December 31, 2021, the Company believes that the carrying values of GST receivable, accounts payable and accrued liabilities, and long-term debt approximate their fair values because of their nature and relatively short maturity dates or durations.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Share based payments

The Company grants stock options or warrants to directors and non-employees as consideration for rendering of services and are accounted for as equity-settled transactions.

The cost of the equity-settled transactions for directors and employees are determined by the fair value of stock options and warrants measured at the grant date and recognized over the vesting period. The cost of the equity-settled transactions for non-employees are determined using the service date measurement approach, which requires the Company to measure the fair value of the share option at each date when services are received. The expenses for each period are recognized in stock-based compensation expense, with a corresponding increase in contributed surplus.

Consideration received on the exercise of stock options or warrants are recorded as share capital and the related contributed surplus on options or warrants granted are transferred to share capital.

The Company used the Black-Scholes option-pricing method to determine the fair value of these options and warrants taking into consideration the terms and conditions. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options or warrants that are expected to vest.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use and sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost, less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use and is amortized over the period expected future benefit. During the period of development, the asset is tested for impairment annually.

Accounting standards and amendments issued but not yet adopted

The following accounting standards have been issued but not yet adopted by the Company at December 31, 2021:

Amendments to IAS 1 in January 2020, IAS issued Classification of Liabilities as "Current" or "Non-current".

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 consolidated financial statements.

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

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 consolidated financial statements.

Amendments to IFRS 9

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The adoption of this amendment will not have a material impact on the consolidated financial statements.

(Expressed in Canadian dollars)

4. Note payable and long-term debt

	December 31 2021	December 31 2020
Ag-West Bio Inc. loan	382,271	382,271
Saskatchewan Minister of Agriculture loan	366,997	314,232
	749,268	696,503
Less current portion	366,997	-
	382,271	696,503

Under the terms of the Ag-West Bio Inc. ("Ag-West") loan, the Company will pay Ag-West a royalty of 5% 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 will begin to accrue on the earlier of March 1, 2022 and the date the Company earns cumulative revenue in excess of $250,000 from the commercial sale of the products. 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.

The terms of the Saskatchewan Minister of Agriculture loan were amended as of March 1, 2020. Under the new terms, from February 1, 2020 onward, interest accretion is recorded at an effective rate of 17%. The amendment resulted in a gain on extinguishment of debt of $105,194 which is recorded in the consolidated statement of loss in the year ended December 31, 2020. The Company is currently in discussions with the Saskatchewan Minister of Agriculture regarding settlement or extension of the loan.

For the years ended December 31, 2021 and 2020, non-cash interest expense of $52,765 and $45,872, respectively, was recorded.

As at December 31, 2020 there was a note payable of $205,734 to an independent third party. On November 4, 2021, the Company issued 56,366 common shares at the fair value of $3.65 per share to fully repay the note.

(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 and stock options	4,167,765	2,251,535
Balance, December 31, 2020	40,492,849	$ 14,140,922
Issuance of units	2,726,611	5,439,741
Issuance of shares	56,366	205,734
Exercise of warrants	4,508,411	2,634,388
Balance, December 31, 2021	47,784,237	$ 22,420,785

On October 6, 2021, the Company completed a private placement of 2,726,611 units (the "2021 Unit Offering") consisting of one common share and one-half warrant to purchase one common share at $4.00 per share (the "2021 Unit"). Issue price was $2.60 per 2021 Unit and gross proceeds were $7,089,189. The issue price allocated to the share portion of the 2021 Unit was $2.40 and $0.20 was allocated to the warrant portion. Proceeds, net of cash issuance costs of $503,283, were $6,585,906. Additional non-cash issuance costs of $31,590 were calculated to reflect the issuance of 27,000 warrants to a finder that placed a portion of the 2021 Unit Offering. These warrants have an exercise price of $3.65 per share and a two-year term. The fair value of these warrants at the date of issuance was estimated using the Black-Scholes option pricing model at $0.40 per warrant based on the following assumptions: Expected annualized volatility of 82%; risk-free interest rate of 0.72%; expected dividend yield of 0%; expected life of one year.

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.

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.

(Expressed in Canadian dollars)

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%

Stock based compensation of $241,343 and $256,369 was recorded for the years ended December 31, 2021 and 2020, respectively.

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	4.04	12,500
1.05	250,000	12/14/2025	3.96	125,000
0.34	1,050,000	5/1/2025	3.33	525,000
0.32	250,000	7/17/2024	2.55	187,500
0.25	2,125,000	12/17/2023	1.96	2,125,000

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"). The 2018 Units, issued on March 20, 2018, consisted of one common share and one warrant to purchase one common share at $0.35 per share.

(Expressed in Canadian dollars)

A summary of the status of the Share Warrants follows.

	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
Issuance	27,000	3.65
Issuance	1,363,304	4.00
Exercised	(100,000)	0.28
Exercised	(350,000)	0.30
Exercised	(214,390)	0.35
Exercised	(250,000)	0.40
Exercised	(3,494,021)	0.50
Exercised	(100,000)	0.78
Balance, December 31, 2021	3,240,304	$ 1.91

On October 6, 2021 the Company issued 1,363,304 Share Warrants pursuant to the 2021 Unit Offering. Each warrant entitles the holder to purchase one common share at $4.00 per share until October 6, 2023. The fair value of these warrants at the date of issuance was estimated using the Black-Scholes option pricing model at $0.40 per warrant, based on the following assumptions: expected annualized volatility of 82%; risk-free interest rate of 0.72%; expected dividend yield of 0%; expected life of one year. The Company also issued 27,000 warrants to a finder that placed a portion of the 2021 Unit Offering. These warrants have an exercise price of $3.65 per share and a two-year term. This is accounted for as equity-settled share-based payments to non-employees under IFRS 2, and $31,590 was recorded in contributed surplus with the corresponding amount treated as a cost of issuance for common shares and warrants. The Company recorded $535,768 in contributed surplus for the fair value of all warrants issued pursuant to the 2021 Unit Offering, reduced by the allocated cost of issuance.

During the year ended December 31, 2021, 4,508,411 (2020 – 3,905,285) Share Warrants were exercised, resulting in the issuance of 4,508,411 (2020 – 3,905,285) common shares.

The following table summarizes Share 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.

(Expressed in Canadian dollars)

Issue date	Number of warrants	Exercise price	Black Scholes estimated value	Stock-based compensation	Assumptions: 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 related to warrants is recognized over the expected life of each issuance, which may span multiple fiscal years. For the years ended December 31, 2021 and 2020, stock based compensation related to warrants was $29,466 and $520,533. respectively.

The following tables summarize the Share Warrants that remain outstanding as at December 31, 2021:

Share Warrants	Exercise price	Expiry
1,400,000	$ 0.35	April 2022
450,000	$ 0.35	September 2022
1,363,304	$ 4.00	October 2023
27,000	$ 3.65	November 2023
3,240,304		

On March 29, 2022, 1,400,000 Share Warrants were exercised at $0.35 per share for total proceeds of $490,000.

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)

6. Related parties

During the year ended December 31, 2021, the Company incurred consulting fees and office rent of $868,780 (2020 – $595,991) to companies controlled by directors and officers of the Company.

During the year ended December 31, 2021, stock-based compensation related to stock options issued to directors and officers of the Company totaled $182,957 (2020 – $240,526).

As at December 31, 2021 there was $268,922 accrued and payable to directors and officers of the Company (2020 – $38,939).

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	321,095
2036	290,232
2037	88,532
2038	861,965
2039	1,425,129
2040	2,427,889
2041	2,877,906
	$ 13,934,555

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 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 US dollars which are recorded at the spot rate at the date of the transaction. As of December 31, 2021, the Company held US dollar cash of $14,800 (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.

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.

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.

The long-term debt at December 31, 2021 consists of the Ag-West Bio Inc. loan and the Saskatchewan Minister of Agriculture loan, both 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 December 31, 2021, the fair value of the long-term debt is $749,268 (December 31, 2020 - $696,503) and is classified as level 3 in the fair value hierarchy.

10. Capital management

The Company's primary objective when managing capital is to ensure that it has sufficient resources to maintain its ongoing operations. The Company considers loan payable, amounts due to related parties, long-term debt and total shareholders' equity in the definition of capital.

	2021	2020
Note payable	$ -	$ 205,734
Current portion of long-term debt	366,997	-
Long-term debt	382,271	696,503
Shareholders' equity	8,456,597	2,324,975
	$ 9,205,865	$ 3,227,212