MUSTGROW BIOLOGICS CORP.

Consolidated Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Share based compensation	
The Company describes its significant accounting judgments and estimates in relation to share based payments in note 3 “Significant accounting policies” and in note 5 “Share capital” of the 2022 consolidated financial statements. As set out in note 5, the Company approved and implemented an Omnibus Equity Incentive Plan for officers, directors and consultants of the Company and granted a number of restricted share units, deferred share units, stock options and warrants in the year. The fair value of the share options and warrants granted were determined on the date of grant using a Black-Scholes option-pricing model. Auditing these fair value calculations was complex due to the subjective nature of the various management inputs and assumptions. Significant assumptions included the expected life and share price volatility.	Our audit approach to address the matter: •We inspected the Company’s Omnibus Equity Incentive Plan along with resolutions of the governance, nominating and compensation committee and individual award letters to understand the contractual arrangements applicable to the respective awards granted. •We recalculated the fair value of the options and warrants via the Black-Scholes model. •For the expected life input we assessed the reasonableness of management’s judgments by comparing the assumption to historical patterns. •For the share price volatility input we obtained historical share prices for the period matching the expected life and recalculated the volatility. •We recalculated the corresponding expense attributable to the share-based awards for the financial year ended December 31, 2022. •We evaluated whether the disclosures were consistent with the requirements of IFRS 2, ‘Share-based payments’.

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 Rob Jolley.

Ernst & Young LLP

Chartered Professional Accountants

Saskatoon, Canada
April 27, 2023

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

	December 31 2022	December 31 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,016,183	$ 9,619,971
GST and other receivables	87,788	64,296
Prepaid expenses and deposits	30,411	17,683
Total assets	**$ 7,134,382**	**$ 9,701,950**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	$ 222,302	$ 496,085
Deferred revenue (note 7)	913,700	-
Current portion of long-term debt (note 4)	404,276	366,997
	1,540,278	**863,082**
Non-current liabilities		
Long-term debt (note 4)	355,058	382,271
Total liabilities	**1,895,336**	**1,245,353**
EQUITY		
Share capital (note 5)	24,025,182	23,031,182
Contributed surplus (note 5)	3,817,941	2,463,651
Deficit	(22,604,077)	(17,038,236)
	5,239,046	8,456,597
Total liabilities and equity	**$ 7,134,382**	**$ 9,701,950**

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, 2022	2021
Revenue		
Sales	$ 6,479	$ 12,869
Expenses		
Research and development	$ 475,858	$ 458,382
Regulatory	100,269	76,531
Corporate communications	204,836	133,250
Transfer agent, filing and exchange	332,523	206,785
Office and administration (note 6)	1,116,856	957,025
Marketing and promotion	696,820	567,929
Patent expenses	298,210	203,591
Professional fees	771,690	151,066
Stock-based compensation (note 5)	1,694,540	270,810
	$ 5,691,602	$ 3,025,369
Loss before the following	$ (5,685,123)	$ (3,012,500)
Interest income	103,547	3,322
Foreign exchange gain (loss)	25,801	(1,932)
Finance cost (note 4)	(10,066)	(52,765)
Net loss for the year	**$ (5,565,841)**	**$ (3,063,875)**
Total comprehensive loss for the year	**$ (5,565,841)**	**$ (3,063,875)**
Net loss per share, basic and diluted	$ (0.11)	$ (0.07)
Weighted average number of shares outstanding, basic and diluted	49,010,264	43,736,196

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

	Number of common shares	Share capital	Contributed surplus	Deficit	Total
	(note 5)				
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
Balance, December 31, 2021	47,784,237	$ 23,031,182	$ 2,463,651	$ (17,038,236)	$ 8,456,597
Exercise of warrants and stock options	1,875,000	994,000	(340,250)	-	653,750
Stock-based compensation	-	-	1,694,540	-	1,694,540
Net loss and comprehensive loss	-	-	-	(5,565,841)	(5,565,841)
Balance, December 31, 2022	49,659,237	$ 24,025,182	$ 3,817,941	$ (22,604,077)	$ 5,239,046

MUSTGROW BIOLOGICS CORP.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Year ended December 31, 2022	2021
Operating Activities		
Net loss	$ (5,565,841)	$ (3,063,875)
Items not affecting cash		
Finance cost (note 4)	10,066	52,765
Stock-based compensation	1,694,540	270,810
Net changes in non-cash working capital items:		
GST and other receivables	(23,492)	(31,025)
Prepaid expenses and deposits	(12,728)	8,299
Deferred revenue	913,700	-
Accounts payable and accrued liabilities	(273,783)	351,247
Cash used in operating activities	**(3,257,538)**	**(2,411,779)**
Financing Activities		
Exercise of warrants and stock options	653,750	2,133,047
Issuance of units	-	6,585,906
Cash provided by financing activities	**653,750**	**8,718,953**
Net (decrease) increase in cash during the year	**(2,603,788)**	**6,307,174**
Cash, beginning of the year	9,619,971	3,312,797
Cash, end of the year	**$ 7,016,183**	**$ 9,619,971**

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 the operations of its wholly owned subsidiary MustGrow Biologics Colombia S.A.S. until the date of its winding up.

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 27, 2023

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. 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 and may be material.

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 using 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. Diluted amounts are not presented when the effect of the computation is anti-dilutive.

Cash and cash equivalents

Cash and cash equivalents consist of balances held with financial institutions and amounts due on demand or with an original maturity of three months or less.

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 recognition

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognize revenue when, or as, the Company satisfies a performance obligation.

The Company's arrangements with customers can include multiple performance obligations. When contracts involve various performance obligations, the Company evaluates whether each performance obligation is distinct and should be accounted for as a separate unit of accounting under IFRS 15, Revenue from Contracts with Customers.

The total transaction price is determined at the inception of the contract and where a single contract price is stated, the contract price is allocated to each performance obligation based on their relative stand alone selling prices. Until such obligations have been discharged, the Company records amounts received as deferred revenue.

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 receivable, 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, 2022, 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 or relatively short maturity dates or durations.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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 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 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 share units, stock options and warrants to officers, directors and non-employees as consideration for services rendered and these are accounted for as equity-settled transactions.

The cost of the equity-settled transactions is based on the fair value of share units, 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 is 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 is 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, 2022:

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 does not expect a material impact from 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, 2024. The Company does not expect a material impact from adopting these amendments on its consolidated financial statements.

(Expressed in Canadian dollars)

4. Long-term debt

	December 31 2022	December 31 2021
Ag-West Bio Inc. loan	382,271	382,271
Saskatchewan Minister of Agriculture loan	377,063	366,997
	759,334	749,268
Less current portion	404,276	366,997
	355,058	382,271

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. As at December 31, 2022, $27,213 0f the Ag-West loan is classified as current (2021 – nil).

Under the terms of the Saskatchewan Minister of Agriculture loan, the principal amount of $377,063 was 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, at which time a gain on extinguishment was recorded based on a fair value interest rate of 17%. Under the new terms, from February 1, 2020 onward, interest accretion was recorded at an effective rate of 17% until the maturity date of March 1, 2022, and no interest has been accrued subsequent to this date. The Company is currently in discussions with the Saskatchewan Minister of Agriculture regarding settlement or extension of the loan and, accordingly, no interest has been accrued.

For the years ended December 31, 2022 and 2021, non-cash finance cost of $10,066 and $52,765, respectively, was recorded.

(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, 2020	40,492,849	$	14,140,922
Issuance of units	2,726,611		6,050,138
Issuance of shares	56,366		205,734
Exercise of warrants	4,508,411		2,634,388
Balance, December 31, 2021	47,784,237	$	23,031,182
Exercise of warrants and stock options	1,875,000		994,000
Balance, December 31, 2022	49,659,237	$	24,025,182

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 $205,734 note payable to an independent party.

Omnibus Incentive Plan

The Company established an Omnibus Incentive Plan on June 29, 2022 (the “Omnibus Plan”) for directors, officers and consultants of the Company. The Omnibus Plan replaces the Legacy Option Plan described below. The Omnibus Plan provides for the grant of stock options, performance share units (“PSU’s”), restricted share units (“RSU’s”), deferred share units (“DSU’s”) (RSU’s and DSU’s are collectively referred to as “Share Units”). The Company’s Board of Directors has full authority to administer the Omnibus Plan, including authority to determine the eligibility of individuals to participate in the Omnibus plan, the term, vesting period, vesting conditions, exercise price, and make any other determinations that the Board of Directors deems necessary or desirable for the administration of the Omnibus Plan, subject to compliance with regulatory requirements.

(Expressed in Canadian dollars)

The maximum number of common shares reserved for issuance under the Omnibus Plan shall not exceed 10% of the Company's issued and outstanding common shares from time to time on a non-diluted basis.

On August 30, 2022, the Company issued 360,183 DSU's and 95,553 RSU's to directors, officers and consultants of the Company. Upon redemption of Share Units, holders will receive, at the discretion of the Company: i) common shares equal to the number of Share Units granted; ii) a cash payment equal to the number of Share Units multiplied by the fair market value of a common share on the redemption date; or iii) a combination of common shares and cash.

The Company does not have a history of settling Share Units in cash and has sole discretion on the form of settlement. Accordingly, the Share Units are accounted for as equity settled share-based payments valued using the share price of the common shares on the grant date and are amortized over the vesting period.

A summary of the changes and status of Share Units follows.

		RSU's	DSU's
Balance, December 31, 2021 and 2020		-	-
Issuance		95,553	360,183
Balance, December 31, 2022		95,553	360,183
Vesting date:	2022-08-30		360,183
	2022-12-08	37,036	
	2023-06-08	58,517	
		95,553	360,183
Vested at December 31, 2022		37,036	360,183

The value of Share Units granted was based on the fair value of the Company's common shares on the date of grant, August 30, 2022. Accordingly, the fair value was $2.70 per Share Unit for a total value of $1,230,500 and is recorded as stock-based compensation as the Share Units vest.

Stock-based compensation related to Share Units of $1,141,416 was recorded for the year ended December 31, 2022 (2021 – nil).

Legacy Option Plan

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

Each stock option converts into one common share of the Company on exercise. No amounts were 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.

(Expressed in Canadian dollars)

The Company's Legacy Option Plan provided 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 under the Legacy Option Plan since January 1, 2021. 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
3/14/2022	250,000	$ 3.40	3-5 years	1.90%	98%
1/14/2021	50,000	2.10	3-5 years	0.37%	110%

Stock-based compensation related to stock options of $434,124 and $241,343 was recorded for the years ended December 31, 2022 and 2021, respectively.

During the year ended December 31, 2022, 25,000 (2021 – nil) stock options were exercised, resulting in the issuance of 25,000 (2021 – nil) common shares.

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
$3.40	250,000	2027-03-14	4.20	62,500
2.10	50,000	2026-01-14	3.04	25,000
1.05	250,000	2025-12-14	2.96	187,500
0.34	1,050,000	2025-05-01	2.33	787,500
0.32	250,000	2024-07-17	1.55	250,000
0.25	2,100,000	2023-12-17	0.96	2,100,000

Warrants

The Company issued share warrants entitling the holder to acquire common shares of the Company at a fixed ratio of one for one (the "Share Warrants"); and

A summary of the status of the Share Warrants follows.

(Expressed in Canadian dollars)

	Share Warrants	Weighted average exercise price
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
Issuance	100,000	3.71
Exercised	(1,850,000)	0.35
Balance, December 31, 2022	1,490,304	$ 3.97

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, 2022, 1,850,000 (2021 – 4,508,411) Share Warrants were exercised, resulting in the issuance of 1,850,000 (2021 – 4,508,411) common shares.

The following table summarizes Share Warrants issued to consultants of the Company as compensation for services since January 1, 2021. 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
2022-02-25	100,000	$3.71	$1.19	$ 119,000	82%	1.26%	1 year	0%

Stock-based compensation related to Share Warrants is recognized over the vesting period of each issuance, which may span multiple fiscal years. For the years ended December 31, 2022 and 2021, stock-based compensation related to warrants was $119,000 and $29,466. respectively.

(Expressed in Canadian dollars)

The following table summarizes the Share Warrants that remain outstanding as at December 31, 2022:

Share Warrants	Exercise price	Expiry
1,363,304	$ 4.00	October 2023
27,000	$ 3.65	November 2023
100,000	$ 3.71	February 2024
1,490,304		

6. Related parties

During the year ended December 31, 2022, the Company incurred consulting fees and office rent of $931,125 (2021 – $868,780) to companies controlled by directors and officers of the Company.

During the year ended December 31, 2022, stock-based compensation related to stock options and Share Units issued to directors and officers of the Company totaled $1,411,720 (2021 – $182,957).

As at December 31, 2022 there was $33,227 accrued and payable to directors and officers of the Company (2021 – $268,922).

7. Deferred revenue

In August 2022, the Company and Sumitomo Corporation extended their Exclusive Evaluation and Option Agreement. Pursuant to the extension agreement, MustGrow received USD 500,000 ($641,200) which has been allocated to a future performance obligation and as such was recorded as deferred revenue.

In April 2022, the Company entered into an exclusive evaluation and option agreement with Janssen PMP, a division of Janssen Pharmaceutica NV, one of the Janssen Pharmaceutical companies of Johnson and Johnson. Pursuant to the agreement, MustGrow received EUR 200,000 ($272,500) which has been allocated to a future performance obligation and as such was recorded as deferred revenue.

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	2,392,668
2041	2,600,687
2042	3,726,046
	$ 17,348,161

As at December 31, 2022, the Company has scientific research and experimental development ("SRED") expenditures which can be applied to reduce future years' taxable income of $469,743 as well as SRED tax credits of $18,826 which can be applied to reduce future years' tax payable. Deferred tax assets have not been recognized in respect of tax losses, tax deductions or tax credits.

9. Financial instruments

Interest rate risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to cash flow risk because there is no variable interest paid on debt outstanding. The Company is not currently exposed to fair value risk because the fair value of its cash deposits and debt do not vary with changes in interest rates.

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, 2022, the Company held US dollar cash of $357,594 (December 31, 2021 – $14,800).

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.

(Expressed in Canadian dollars)

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, 2022 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, 2022, the fair value of the long-term debt is $ 759,334 (December 31, 2021 - $749,268) 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 long-term debt and total shareholders’ equity in the definition of capital.

	2022	2021
Current portion of long-term debt	$ 404,276	$ 366,997
Long-term debt	355,058	382,271
Shareholders' equity	5,239,046	8,456,597
	$ 5,998,380	$ 9,205,865