

**MUSTGROW BIOLOGICS CORP.
(formerly Duport Capital Ltd.)**

Financial Statements

Three Months Ended March 31, 2018

Expressed in Canadian Dollars

MUSTGROW BIOLOGICS CORP.
(formerly Duport Capital Ltd.)
Statement of loss and comprehensive loss
(Expressed in Canadian Dollars)

| | March 31 2018 | December 31 2017 |
|--|---------------------|---------------------|
| | | non-consolidated |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,078,595 | \$ 7,157 |
| Accounts receivable/loan receivable | 2,100 | - |
| GST receivable | 16,745 | 4,185 |
| Prepaid expenses | 2,544 | 4,584 |
| Total assets | \$ 1,099,984 | \$ 15,926 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 132,290 | \$ 163,693 |
| | 132,290 | 163,693 |
| Non-current liabilities | | |
| Due to related companies (note 7) | 205,734 | 380,734 |
| Long-term debt (note 5) | 759,334 | 759,334 |
| Total liabilities | 1,097,358 | 1,303,761 |
| EQUITY | | |
| Share capital (note 6) | 7,818,641 | 5,582,461 |
| Contributed surplus | 437,429 | 455,173 |
| Deficit | (8,253,444) | (7,325,469) |
| | 2,626 | (1,287,835) |
| Total liabilities and equity | \$ 1,099,984 | \$ 15,926 |

Nature and continuance of operations (Note 1)

MUSTGROW BIOLOGICS CORP.
(formerly Duport Capital Ltd.)
Statement of loss and comprehensive loss
(Expressed in Canadian Dollars)

| | 2018 | 2017 |
|--------------------------------|-------------------|------------------|
| | | non-consolidated |
| Expenses | | |
| Research and development | \$ 1,355 | \$ 170 |
| Regulatory | 7,817 | 2,707 |
| Corporate communications | 203,782 | 15,985 |
| Listing fees | 604,078 | - |
| Office and administration | 83,017 | 4,221 |
| Patent expenses | 14,993 | 10,663 |
| Professional fees | 12,933 | - |
| Net loss for the period | \$ 927,975 | \$ 33,746 |

MUSTGROW BIOLOGICS CORP.
(formerly Duport Capital Ltd.)
Statement of changes in equity (deficiency)
(Expressed in Canadian Dollars)

| | <u>Common Shares</u> | <u>Share Capital</u> | <u>Contributed Surplus</u> | <u>Deficit</u> | <u>Total</u> |
|-----------------------------------|--------------------------|--------------------------|--------------------------------|-----------------------|-----------------------|
| Balance, December 31, 2016 | 5,696,600 | \$ 5,582,461 | \$ 455,173 | \$ (7,055,456) | \$ (1,017,822) |
| Net and comprehensive loss | - | - | - | (33,746) | (33,746) |
| Balance, March 31, 2017 | <u>5,696,600</u> | <u>\$ 5,582,461</u> | <u>\$ 455,173</u> | <u>\$ (7,089,202)</u> | <u>\$ (1,051,568)</u> |
| Balance, December 31, 2017 | 5,696,600 | \$ 5,582,461 | \$ 455,173 | \$ (7,325,469) | \$ (1,089,719) |
| Issuance of shares | 14,429,654 | 216,445 | - | - | 18,329 |
| Share consolidation (3.3:1) | (14,027,366) | - | - | - | - |
| Amalgamation | 10,454,154 | 552,862 | - | - | 552,862 |
| Issuance of shares | 6,720,000 | 1,416,873 | 32,256 | - | 1,449,129 |
| Cancellation of warrants | - | 50,000 | (50,000) | - | - |
| Net and comprehensive loss | - | - | - | (927,975) | (927,975) |
| Balance, March 31, 2018 | <u>23,273,042</u> | <u>\$ 7,818,641</u> | <u>\$ 437,429</u> | <u>\$ (8,253,444)</u> | <u>\$ 2,626</u> |

See accompanying notes to the financial statements

MUSTGROW BIOLOGICS CORP.
(formerly Duport Capital Ltd.)
Statement of cash flows
(Expressed in Canadian Dollars)

| | 2018 | 2017 |
|--|---------------------|------------------|
| Cash flows from Operating Activities | | |
| Net loss | \$ (927,975) | \$ (33,746) |
| Items not affecting cash | | |
| Listing fees | 604,078 | - |
| Net changes in non-cash working capital items: | | |
| Accounts receivable/loan receivable | (2,100) | - |
| GST receivable | (10,527) | 2,301 |
| Prepaid expenses | 2,040 | (2,797) |
| Accounts payable and accrued liabilities | (91,217) | 17,446 |
| | (425,701) | (16,796) |
| Cash flows from Investing Activities | | |
| Cash acquired in acquisition | 4,990 | - |
| | 4,990 | - |
| Cash flows from Financing Activities | | |
| Issuance of share capital | 1,492,149 | - |
| | 1,492,149 | - |
| Net increase (decrease) in cash during the year | 1,071,438 | (16,796) |
| Cash, beginning of period | 7,157 | 52,445 |
| Cash, end of period | \$ 1,078,595 | \$ 35,649 |

1. Nature and continuance of operations

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

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

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

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

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

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2018, the Company had not yet achieved profitable operations and has accumulated losses of \$376,430 (2017 - \$31,266) since its inception all of which indicate the existence of a material uncertainty that may cast substantial doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds there from and or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months from working capital and/or raised equity capital. These financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these financial statements.

2. Basis of preparation

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

Statement of compliance

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, or available for sale which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

3. Significant accounting policies

Significant estimates and assumptions

The preparation of the Company’s financial statements in conformity with IFRS requires management to make estimates 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.

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, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company’s financial statements include:

- the assessment of the Company’s ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the determination of the functional currency of the company.

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.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) classified as other financial liabilities are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company's cash and loan receivable are classified as loans and receivables. The Company's trade payables and deposits are classified as other financial liabilities.

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 derivative financial assets or liabilities.

The fair value of cash is determined based on Level 1 inputs. As at December 31, 2017, the Company believes that the carrying values of loan receivable and accounts payable and accrued liabilities 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.

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements. The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 15, *Revenue from Contracts with Customers* – In May 2014, the IASB issued IFRS 15 which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for

annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

New accounting standards issued but not yet effective (Cont'd)

FRS 9, *Financial Instruments* – The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IFRS 16, *Leases* – A new standard that's sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model. This standard is effective for annual periods beginning on or after January 1, 2019.

4. Reverse acquisition

Effective March 18, 2018, Duport Capital Ltd. ("Duport") entered into an amalgamation agreement with MPT Mustard Product Technologies Inc. ("MPT") and 102023826 Saskatchewan Ltd. ("Subco") to which Duport agreed to acquire all the securities of MPT after its amalgamation with Subco. The transaction was considered a reverse acquisition of MPT by Duport as defined in IFRS 3 Business Combinations. Accordingly, for accounting purposes, MPT was deemed to be the acquirer and Duport was deemed to be the acquiree under the transaction. Under this basis of accounting, the consolidated entity is considered to be a continuation of MPT, with the net identifiable assets of Duport deemed to have been acquired by MPT. Hence, MPT's balances were accounted for at cost and Duport was accounted for at fair value. The book value of Duport's assets and liabilities as at March 18, 2018 approximated their fair values as at that date. Since Duport does not meet the definition of a business, the transaction was accounted for under the provisions of IFRS 2 Share-based payment.

The difference between the fair value of the consideration and Duport's net assets has been recognized as a public listing expense in the statement of net loss and comprehensive loss for the period ended March 31, 2018.

The following represents management's estimate of the fair value of the net assets of Duport acquired at March 31, 2018 as a result of the reverse acquisition.

| | |
|--|-------------------|
| Fair value of share consideration paid (a) | \$ 552,862 |
| Allocated as follows: | |
| Cash | 4,990 |
| Trade and other receivables | 2,033 |
| Accounts payable and accrued liabilities | <u>(58,239)</u> |
| Net assets of Duport acquired | <u>(51,216)</u> |
| Public listing costs | <u>\$ 604,078</u> |

(a) The purchase consideration above was estimated based on the fair value attributed to the common shares that Duport would have had to issue to shareholders of MPT to acquire the same percentage equity interest in the combined entity that results from the reverse acquisition.

In connection with the completion of the reverse acquisition transaction, the shareholders of MPT exchanged their shares for common shares of Duport on a two for one basis, and the MPT shares were cancelled. The transaction, in substance, results in MPT being listed as a public entity and its shareholders acquiring the net assets of Duport. All equity of Duport is eliminated pursuant to the transaction.

5. Long-term debt

| | March 31 2018 | December 31 2017 |
|---|--------------------------|-----------------------------|
| Prime, plus 2%, Saskatchewan Minister of Agriculture loan, payable on the earlier of February 2020 or when MPT has commercial sales of its product in excess of \$250,000. | 377,063 | 377,063 |
| Ag-West Bio Inc. loan, payable commencing on the date MPT achieves \$500,000 in revenue, payments equal to 5% of gross revenue and continuing until payments total \$750,000. | 382,271 | 382,271 |
| | <u>759,334</u> | <u>759,334</u> |
| Less current portion | - | - |
| | <u>759,334</u> | <u>759,334</u> |

6. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2018 there were 23,273,042 (2017 – 5,696,600) issued and fully paid common shares.

On February 19, 2018, the Company issued 14,429,654 common shares for proceeds of \$216,445, of which \$198,116 was received in 2017.

On March 12, 2018, the Company completed a 3.3:1 consolidation of common shares.

On March 13, 2018, the Company issued 10,454,154 common shares pursuant to the Amalgamation (see Note 1).

On March 20, 2018, the Company completed an issuance of 6,720,000 units consisting of one common share and one warrant to purchase one common share at \$0.30 per share (the “Unit Offering”). Issue price was \$0.25 per unit. Proceeds net of issuance costs were \$1,431,274.

Stock options

The Company has not issued any stock options and no stock options are outstanding as at March 31, 2018.

Warrants

On March 12, 2018, the Company issued 1,289,837 warrants (each to purchase one common share) pursuant to the Amalgamation. 789,837 such warrants have exercise prices of \$1.00 to \$1.20 per share and expire between June and September 2018. 500,000 of such warrants have an exercise price of \$0.30 per share and expire 36 months following the date the Company becomes listed on the Canadian Stock Exchange.

On March 20, 2018, the Company issued 6,720,000 warrants pursuant to the Unit Offering. Each warrant entitles the holder to purchase one common share at \$0.30 per share until March 19, 2020.

Pursuant to the Unit Offering on March 20, 2018, the Company issued 537,600 warrants to intermediaries as compensation for unit placement. Each warrant entitles the holder to purchase one common share at \$0.30 per share until March 19, 2020.

7. Related parties

During the three months ended March 31, 2018, the Company incurred professional fees and office and administration of \$30,000 (2017 – nil) to a director of the Company. During the three months ended March 31, 2017, the Company incurred professional fees of to a law firm in which a partner is a former director of the Company.

As at March 31, 2018 and December 31, 2017 there was \$29,578 accrued and payable to a law firm in which a partner is a former director of the Company. As at March 31, 2017 there was \$57,750 accrued and payable to a director of the Company.

As at March 31, 2018 and December 31, 2017 there was \$205,734 owing to a shareholder of the Company owning 10% of the Company.

8. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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 primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its GST receivable. This risk is minimal as receivables consist of refundable government general sales taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that

there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As December 31, 2017, the Company did not have any cash equivalents or interest bearing debt and is not subject to interest rate risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.