

MUSTGROW BIOLOGICS CORP.
(formerly Duport Capital Ltd.)

Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(Unaudited)

Expressed in Canadian Dollars

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

	September 30 2018	December 31 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 708,471	\$ 7,156
Accounts receivable	1,575	-
GST receivable	17,016	4,185
Prepaid expenses	2,269	4,584
Total assets	\$ 729,331	\$ 15,925
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 141,351	\$ 170,867
Loan payable	-	175,000
Due to related parties (note 7)	205,734	205,734
	347,085	551,601
Non-current liabilities		
Long-term debt (note 5)	699,890	669,710
Total liabilities	1,046,975	1,221,311
EQUITY		
Share capital (note 6)	7,585,227	5,582,461
Contributed surplus	962,748	465,173
Deficit	(8,865,619)	(7,253,020)
	(317,644)	(1,205,386)
Total liabilities and equity	\$ 729,331	\$ 15,925

See note 1 – Nature and continuance of operations

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

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

	Three months ended September 30, 2018		Nine months ended September 30, 2017	
	2018	2017	2018	2017
Revenue				
Sales	\$ -	\$ -	\$ 2,000	\$ 2,099
Expenses				
Research and development	\$ 1,200	\$ 520	\$ 2,556	\$ 749
Regulatory	3,514	1,282	9,767	4,274
Corporate communications	34,612	-	238,984	-
Listing fees (note 4)	-	-	885,983	-
Office and administration	98,750	52,989	296,177	111,069
Patent expenses	13,299	19,985	39,009	33,464
Professional fees	61,721	11,226	111,500	39,327
	\$ 213,096	\$ 86,002	\$ 1,583,976	\$ 188,883
Loss before the following	\$ (213,096)	\$ (86,002)	\$ (1,581,976)	\$ (186,784)
Finance cost (note 5)	(10,060)	(8,805)	(30,623)	(18,508)
Gain on extinguishment of debt (note 5)	-	-	-	116,937
Net loss for the period	\$ (223,156)	\$ (94,807)	\$ (1,612,599)	\$ (88,355)
Total comprehensive loss for the period	\$ (223,156)	\$ (94,807)	\$ (1,612,599)	\$ (88,355)
Net loss per share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.08)	\$ (0.01)
Weighted average number of shares outstanding, basic and diluted	23,273,042	10,454,154	19,719,927	10,454,154

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

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

	Number of Common Shares (note 6)	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2016	10,454,154	\$ 5,582,461	\$ 455,173	\$ (7,055,456)	\$ (1,017,822)
Warrants issued for services	-	-	10,000	-	10,000
Net and comprehensive loss	-	-	-	(88,355)	(88,355)
Balance, September 30, 2017	<u>10,454,154</u>	<u>\$ 5,582,461</u>	<u>\$ 465,173</u>	<u>\$ (7,143,811)</u>	<u>\$ (1,096,177)</u>
Balance, December 31, 2017	10,454,154	\$ 5,582,461	\$ 465,173	\$ (7,253,020)	\$ (1,205,386)
Amalgamation	6,098,888	1,036,811	-	-	1,036,811
Issuance of shares and warrants	6,720,000	965,955	497,575	-	1,463,530
Net and comprehensive loss	-	-	-	(1,612,599)	(1,612,599)
Balance, September 30, 2018	<u>23,273,042</u>	<u>\$ 7,585,227</u>	<u>\$ 962,748</u>	<u>\$ (8,865,619)</u>	<u>\$ (317,644)</u>

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

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

	Nine months ended September 30,	
	2018	2017
Operating Activities		
Net loss	\$ (1,612,599)	\$ (88,355)
Items not affecting cash		
Listing fees	885,983	-
Gain on extinguishment of debt (note 5)	-	(116,937)
Finance cost on long-term debt (note 5)	30,181	18,508
Net changes in non-cash working capital items:		
Change in working capital acquired on acquisition	27,044	-
Accounts receivable	(1,575)	-
GST receivable	(10,798)	(99)
Prepaid expenses	2,315	1,174
Accounts payable and accrued liabilities	(87,756)	(5,799)
Cash used in operating activities	(767,205)	(191,508)
Financing Activities		
Cash acquired in acquisition	4,990	-
Loan proceeds from Duport	-	175,000
Issuance of share capital and warrants	1,463,530	-
Cash provided by financing activities	1,468,520	175,000
Net increase (decrease) in cash during the year	701,315	(16,508)
Cash, beginning of period	7,156	52,445
Cash, end of period	\$ 708,471	\$ 35,937

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

1. Nature and continuance of operations

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

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

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

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

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

These financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at and for the nine months ended September 30, 2018, the Company has an accumulated deficit of \$8,865,619 negative operating cash flows of \$767,205 and a total net loss and comprehensive loss of \$1,612,599.

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

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

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

2. Basis of preparation

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

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's and MPT's annual financial statements as of December 31, 2017. Certain amounts in previous condensed interim financial statements have been restated. See note 9.

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.

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.

New accounting standards adopted

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 15 Revenue from Contracts with Customers

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 Company adopted IFRS 15 using the full retrospective method of adoption. The adoption of IFRS 15 did not have an impact on the timing or amount of revenue recognition. As a result, there was no impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017.

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through Other Comprehensive Income. 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. As the Company only held limited financial assets (cash and accounts receivables), the classification and measurement requirements of IFRS 9 did not have an impact on the financial statements. Cash and accounts receivables continue to be held at amortized cost. In addition, there are no changes in classification and measurement for the Company's financial liabilities as those liabilities continued to be held at amortized cost.

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. IFRS 9 requires the Company to recognize an allowance for ECL for all debt instruments not held at fair value through profit or loss and contract assets. As at reporting dates, the only financial asset the Company held that is subject to ECL is accounts receivable. Based on the Company's assessment, there is no transitional impact in adopting the impairment requirements.

Furthermore, there was no impact from the adoption of the hedging requirements under IFRS 9 as the Company is not applying hedge accounting.

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 following standard will be effective for annual periods beginning on or after January 1, 2019:

IFRS 16, *Leases* – A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model

similar to the accounting for finance leases under IAS 17. At the commencement date of the lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Revenue from contracts with customers

The Company adopted IFRS 15 as at January 1, 2018. The following are policies applied relating to revenue recognition. 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.

The Company applies the practical expedient to immediately expense contract acquisition costs when the asset that would have resulted from capitalizing such costs would have been amortized within one year or less. The Company does not incur any costs to obtain a contract and costs to fulfil a contract that are eligible for capitalization.

If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. As at the reporting dates, there were no contract assets or contract liabilities outstanding.

Financial instruments

The Company adopted IFRS 9 as at January 1, 2018. The following are policies applied to financial instruments. Except for certain accounts receivable, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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 ECLs. The Company recognizes a loss allowance based on lifetime expected credit loss (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 recognised 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, loan payable, due to related parties, 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 September 30, 2018, the Company believes that the carrying values of accounts receivable, accounts payable and accrued liabilities, loan payable, due to related parties 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.

4. Reverse acquisition

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

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

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

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

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

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

5. Long term Debt

	September 30 2018	December 31 2017
Ag-West Bio Inc. Loan	382,271	382,271
Saskatchewan Minister of Agriculture Loan	317,619	287,439
	<u>699,890</u>	<u>669,710</u>
Less current portion	-	-
	<u>699,890</u>	<u>669,710</u>

In July 2017, the Company amended the terms of the loan with Ag-West. The Company continues to owe the outstanding principal of \$382,271 and will pay Ag-West a royalty of 5.00% of all gross revenues received by the Company or an affiliate commencing on the date the Company or its affiliates have attained \$500,000

in cumulative revenues beginning May 5, 2017. Gross revenue received is defined in the amendment to include all sources of revenue, including product sales, licensing revenue, sub-licensing revenue, and royalty revenue received, as well as proceeds derived from the sale of the assets or sales of MPT or an affiliate as part of a divestiture of the business or that would result in a change of control. The maximum amount Ag-West may receive under this agreement is \$750,000, with the first \$382,271 payments to be applied to pay down the principal outstanding. Ag-West has retained its general security interest in all of the Company's assets. The modification has been treated as an extinguishment as the modified terms have been assessed to be substantially different than the original terms. As a result, the original loan has been derecognized in 2017 at the carrying value and the modified loan has been recognized at fair value of \$382,271.

On April 4, 2017 the Saskatchewan Minister of Agriculture loan was amended such that the principal amount of \$377,063 will be due on the earlier of February 1, 2020 and the day on which the Company earns cumulative revenue in excess of \$250,000 from the commercial sale of the products or technology with no interest accruing until this point in time. At such time, interest will be accrued at the prime rate plus 2% and increased to 10% per annum for any principal and interest in arrears. All interest owing up to the modification date were forgiven. The Company has determined that the revised terms were substantially different than the original terms of the loan and as a result have been accounted for as an extinguishment of the original loan and the recognition of a new financial liability at fair value of \$260,126. As a result, a gain on extinguishment of debt of \$116,937 has been recorded in the statement of loss and comprehensive loss in 2017. Interest accretion on the new financial liability is being recorded at an effective rate of 14%. For the three and nine-month periods ended September 30, 2018, non-cash interest expense of \$10,060 and \$30,623 were recorded respectively (September 30, 2017 – \$8,805 and \$18,508).

6. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

	Number of Common Shares	Share Capital
	<u> </u>	<u> </u>
Balance, December 31, 2016	10,454,154	\$ 5,582,461
Balance, December 31, 2017	10,454,154	\$ 5,582,461
Amalgamation	6,098,888	1,036,811
Issuance of shares and warrants	6,720,000	1,420,522
Balance, September 30, 2018	<u>23,273,042</u>	<u>\$ 8,039,794</u>

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Three and Nine Months Ended September 30, 2018

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

As at December 31, 2017 and 2016, Duport had 5,696,600 shares issued and outstanding. On February 19, 2018, Duport issued 14,429,654 additional shares then completed a 3.3:1 share consolidation, resulting in a total of 6,098,888 number of shares outstanding immediately before the Amalgamation.

As at December 31, 2017 and 2016, MPT had 20,908,633 shares issued and outstanding, which also represents the total number of shares outstanding immediately before the Amalgamation. Due to the 2 for 1 exchange ratio on Amalgamation, the number of MPT shares outstanding have been retroactively adjusted to 10,454,154, which is reflected as the Company's number of shares outstanding as of December 31, 2017 and 2016.

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

On March 20, 2018, the Company completed an issuance of 6,720,000 units consisting of one common share and one warrant to purchase one common share at \$0.35 per share (the "Unit Offering"). Issue price was \$0.25 per unit. The issue price allocated to the share portion of the unit was \$0.17 and \$0.08 was allocated to the warrant. Proceeds, net of issuance costs of \$259,748, were \$1,420,522.

Stock options

The Company has not issued any stock options and no stock options are outstanding as at September 30, 2018.

Warrants

The Company has issued warrants entitling the holder to acquire additional common shares of the Company at a fixed ratio of one for one. A summary of the status of the warrants outstanding follows:

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	814,837	\$ 1.18
Issuance	500,000	0.30
Expiry	(25,000)	1.00
Balance, December 31, 2017	1,289,837	\$ 0.84
Issuance	6,720,000	0.35
Issuance	537,600	0.35
Expiry	(789,837)	1.19
Balance, September 30, 2018	7,757,600	\$ 0.35

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

In 2017, 500,000 warrants with an exercise price of \$0.30 were issued with an expiry of 36 months following the date the Company is listed on the Canadian Securities Exchange. These warrants were issued for services to recapitalize the company and the value of the services were determined by reference to the fair value of the warrants at \$0.01 per warrant using the Black-Scholes option pricing model because the direct fair value of the services received cannot be reliably estimated. As a result, \$10,000 is included within office and administration expenses relating to the issuance of these warrants in 2017.

On March 20, 2018, the Company issued 6,720,000 warrants pursuant to the Unit Offering and recorded gross \$537,600 in contributed surplus based on the fair value of the warrants netted with the allocated cost of issuance. Each warrant entitles the holder to purchase one common share at \$0.35 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, and are accounted for as equity-settled share-based payments to non-employees under IFRS 2, and recorded \$43,008 in contributed surplus with the corresponding amount treated as a cost of issuance for share capital and warrants. Each warrant entitles the holder to purchase one common share at \$0.35 per share until March 19, 2020. The fair value of these warrants at the date of issuance was estimated using the Black-Scholes option pricing model at \$0.08 per warrant, based on the following assumptions: expected annualized volatility of 120%; risk-free interest rate of 1.81%; expected dividend yield of 0%; expected life of two years.

The following table summarizes the warrants that remain outstanding as at September 30, 2018:

<u>Warrants</u>	<u>Exercise Price</u>	<u>Expiry</u>
7,257,600	\$ 0.35	March 2020
<u>500,000</u>	\$ 0.30	36 months following the date the Company becomes listed on the Canadian Stock Exchange
<u>7,757,600</u>		

7. Related parties

During the nine months ended September 30, 2018, the Company incurred professional fees of \$110,000 (2017 – \$50,000) to directors of the Company.

As at September 30, 2018 there was \$nil accrued and payable to directors of the Company (December 31, 2017 – \$57,750).

As at September 30, 2018 and December 31, 2017 there was \$205,734 owing to a related party, which is a shareholder of the Company. The amount is unsecured, non-interest bearing and payable on demand.

The loan payable at December 31, 2017 of \$175,000 is an amount owed by MPT to Duport Capital Ltd. After the Amalgamation, this balance is eliminated upon consolidation as at September 30, 2018.

9. 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:

2029	\$	284,090
2030		309,228
2031		967,482
2032		1,305,153
2033		1,283,488
2034		805,310
2035		783,056
2036		250,486
2037		385,027
		<u>385,027</u>
	\$	<u>6,373,320</u>

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

8. Financial instruments

Interest rate risk

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

Foreign currency risk

The company conducts certain of its operations in United States dollars and is limited to a small number of purchases in U.S. dollars which are recorded at the spot rate at the date of the transaction. As of September 30, 2018 the Company held U.S. dollar cash of \$412 (December 31, 2017 – \$399).

Liquidity risk

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

Credit risk

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

Financial instrument carrying values and fair values

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

The long-term debt is valued using a discounted cash flow test taking into consideration the current market interest rate of interest with similar term to maturity and the company's current credit quality. As at September 30, 2018, the fair value of the long-term debt is \$699,890 (December 31, 2017 - \$669,710) and is classified as level 3 in the fair value hierarchy.

8. Restatement of interim condensed financial statements

The Company's amended condensed interim financial statements as at and for the three-month period ended March 31, 2018 and original interim condensed financial statements for the three-month and six-month periods ended June 30, 2018 were filed prior to the external auditors issuing their independent auditors' report on MPT's financial statements as at and for the year ended December 31, 2017. The corrections include adjustments to the determination of the listing fee resulted from the Amalgamation in 2018, and reclassification of the balances in due to related companies from non-current to current, valuation of certain warrants, and adjustments to the accounting of long-term debt instruments.

Below are tables summarizing the impact of the restatement matters on the previously issued interim condensed consolidated financial statements as at and for the three-month period ended March 31, 2018 and three and six-month periods ended June 30, 2018.

MUSTGROW BIOLOGICS CORP.

(formerly Duport Capital Ltd.)

Notes to the condensed interim consolidated financial statements

Unaudited

(Expressed in Canadian Dollars)

Three and Nine Months Ended September 30, 2018

Condensed interim consolidated statements of financial position

	As at June 30, 2018		As at March 31, 2018		As at December 31, 2017	
	As reported	Restated	As reported	Restated	As reported	Restated
Accounts payable and accrued liabilities	141,441	141,441	132,290	132,290	163,693	170,867
Due to related companies (in non-current liabilities)	205,734	0	205,734	0	380,734	0
Loan payable (in current liabilities)	0	0	0	0	0	175,000
Due to related parties (in current liabilities)	0	205,734	0	205,734	0	205,734
Long-term debt	759,334	689,831	759,334	679,770	759,334	669,710
Total liabilities	1,106,509	1,037,005	1,097,358	1,017,792	1,303,761	1,221,311
Share capital	8,754,902	7,585,227	7,818,641	7,585,227	5,582,461	5,582,461
Contributed surplus	487,429	962,748	437,429	962,748	455,173	465,173
Deficit	(9,406,325)	(8,642,465)	(8,253,444)	(8,465,785)	(7,325,469)	(7,253,020)
Total shareholders' equity	(163,994)	(94,490)	2,626	82,190	(1,287,835)	(1,205,386)

MUSTGROW BIOLOGICS CORP.
(formerly Duport Capital Ltd.)
Notes to the condensed interim consolidated financial statements
Unaudited
(Expressed in Canadian Dollars)
Three and Nine Months Ended September 30, 2018

Condensed interim consolidated statements of loss or comprehensive loss

	Three months ended March 31, 2018		Three months ended March 31, 2017	
	As reported	Restated	As reported	Restated
Office and administration expenses	83,017	79,292	4,221	15,985
Listing fees	604,078	885,983	0	0
Finance cost	0	10,060	0	898
Gain on extinguishment of debt	0	0	0	116,937
Net income (loss) for the period	(927,975)	(1,212,765)	(33,746)	82,293
Net income (loss) per share, basic and diluted*		(.10)		.01

	Three months ended June 30, 2018		Three months ended June 30, 2017		Six months ended June 30, 2018		Six months ended June 30, 2017	
	As reported	Restated	As reported	Restated	As reported	Restated	As reported	Restated
Office and administration expenses	118,579	118,136	42,095	42,095	197,871	197,428	58,080	58,080
Listing fees	0	0	0	0	1,590,339	885,983	0	0
Finance cost	0	35,349	0	8,805	0	20,565	0	9,703
Gain on extinguishment of debt	0	0	0	116,937	0	0	0	116,937
Net income (loss) for the period	(166,618)	(201,524)	(67,036)	41,096	(2,073,681)	(1,389,445)	(100,782)	6,452
Net loss per share, basic and diluted*		(.01)				(.08)		

*The basic and diluted net loss per share were not previously included in the filed amended condensed interim financial statements as at and for the three-month period ended March 31, 2018 and original interim condensed financial statements for the three-month and six-month periods ended June 30, 2018.

MUSTGROW BIOLOGICS CORP.

(formerly Duport Capital Ltd.)

Notes to the condensed interim consolidated financial statements

Unaudited

(Expressed in Canadian Dollars)

Three and Nine Months Ended September 30, 2018

Condensed interim consolidated statements of cash flows

	Three months ended March 31, 2018		Three months ended March 31, 2017		Six months ended June 30, 2018		Six months ended June 30, 2017	
	As reported	Restated	As reported	Restated	As reported	Restated	As reported	Restated
Net loss	(927,975)	(1,212,765)	(33,746)	82,293	(2,073,681)	(1,389,445)	(100,782)	6,452
Cash used in operating activities	(425,701)	(397,083)	(16,796)	(16,796)	(578,153)	(551,109)	(41,154)	(41,154)
Cash provided by investing activities	4,990	0	0	0	(184,411)	0	0	0
Cash provided by financing activities	1,492,149	1,468,520	0	0	1,679,975	1,468,520	0	0