

MUSTGROW BIOLOGICS CORP.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2024

General

This management's discussion and analysis of financial position and results of operations ("**MD&A**") is prepared as at November 26, 2024, and should be read in conjunction with the unaudited condensed interim financial statements for the three and nine months ended September 30, 2024 and related notes of MustGrow Biologics Corp. ("**MustGrow**" or the "**Company**"). The unaudited condensed interim financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee.

Management is responsible for the preparation and integrity of the Company's consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and MD&A, is complete and reliable. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate, and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedarplus.ca.

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking information and statements (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities laws, including financial and operational expectations and projections. These statements, other than statements of historical fact, are based on management's current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Company, its customers and industry. Although the Company and management believe the expectations reflected in such forward-looking statements are appropriate and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "would", "should", "believe", "objective", "ongoing", "imply" or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any

future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Company's stage of development, long-term capital requirements and future ability to fund operations, future developments in the Company's markets and the markets in which it expects to compete, risks associated with its strategic alliances, the impact of entering new markets on the Company's operations, and risks associated with new or proposed regulations. Each factor should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. See the section, "Risk Factors and Uncertainties", below noting that these factors are not intended to represent a complete list of the factors that could affect the Company. Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Company, forward-looking statements in this MD&A describe the Company's expectations as of November 26, 2024, and, accordingly, are subject to change after such date. The Company does not undertake to update or revise any forward-looking statements, except in accordance with applicable securities laws.

Overview and Overall Performance

The Company is a publicly-traded (TSXV: MGRO; OTCQB: MGROF; FRA: 0C0) agricultural biotechnology company focused on the development and commercialization of natural biological technologies and products from mustard seed for sustainable agriculture markets. The objectives of these biological technologies and products are (i) to provide a natural, sustainable alternative to banned and/or restricted synthetic chemicals and fertilizers; (ii) for use in organic production; and (iii) to help improve overall soil health. These biological technologies and products include applications in the Biocontrol and Soil Amendment and Biofertility markets.

Biocontrol

In the Biocontrol market, the Company has designed and owns a United States ("**U.S.**") Environmental Protection Agency ("**EPA**") approved preplant soil biofumigant or biopesticide that uses the mustard seed's natural defense mechanism to protect plants from soil-borne microbial diseases and pests. Approximately 150 independent tests have been completed, validating the Company's safe and effective technology. This technology, in granule format, is EPA-approved across all key fruit & vegetable growing U.S. states (excluding California) as a biopesticide and is designated by Health Canada's Pest Management Regulatory Agency ("**PMRA**") as biopesticide. The Company has now developed a new concentrated format for Biocontrol, branded as TerraMG™, as a preplant soil biofumigant to be applied through injection, standard drip or spray equipment, designed to improve functionality and performance features. Discussion with the EPA and PMRA for regulatory approval for TerraMG™ is on-going. In addition, the Company has a License and Collaboration Agreement with Bayer AG, with the objective of securing regulatory approval and commercialization of TerraMG™ in Europe, Middle East and Africa.

In Biocontrol, the MustGrow technology is a platform technology with multiple applications (collectively, "**Biocontrol**" applications), including:

- **Preplant Soil Biofumigation** – to treat soil-borne diseases and pests for multiple crops, including fruit, vegetables, and potentially others (TerraMG™);
- **Bioherbicide** – to treat unwanted plant growth using a unique mode of action, for potential use in organic agriculture and home and garden markets, as well as agriculture markets in jurisdictions where glyphosate is out of favor or has been banned; and

- **Postharvest Food Preservation** – to suppress sprouting and treat disease and pathogens, for potential use in storage and food preservation markets (fruit and vegetables, bulk grain, shipping containers and food borne pathogens).

Soil Amendment and Biofertility

The Company has developed an organic soil amendment and biofertility technology, under the brand name TerraSante™, (the "**Soil Amendment**" and "**Biofertility**" applications and technologies). TerraSante™ is registered for use and has organic certification in California, Oregon, Washington, Idaho, Arizona and Florida. First sales and on farm testing commenced in 2024 and, with positive results, sales ramp-up could commence thereafter.

TerraSante™, in mixable form, contains nutritious plant proteins and carbohydrates that feed soil microbes, potentially improving beneficial microbial activity and ensuring long-term sustainable soil health. These targeted micro-communities are shown to work to improve nutrient availability, which can potentially increase plant vigor and yields, while also reducing plant stress. TerraSante™ has the potential to improve crop nutrient uptake and, hence, overall crop performance.

Operations

MustGrow is developing and commercializing natural biological products and technologies from mustard seed for the Biocontrol and Soil Amendment and Biofertility markets for sustainable agriculture. The objective of these biological products and technologies is to provide a natural, sustainable alternative to banned and/or restricted synthetic chemicals and fertilizers, for use in organic production, and to help improve overall soil health.

The research, development and regulatory pathway for Biocontrol pesticides and herbicides typically begins with laboratory work that verifies that the active ingredient and formulation will have the desired neutralizing effect on the pest of interest in a controlled environment, at small scale. This laboratory phase may take one to two years and cost up to approximately \$100,000. If these results are positive, the trial work can proceed to a greenhouse environment where the scale is larger, but conditions remain controlled in the confines of the greenhouse. Validation in the greenhouse phase may take one to two years and cost approximately \$100,000 to \$500,000. If these results are positive, the next step would be to test the technology in "real world" conditions in field trials. These trials are conducted on the crops and pests of interest in typical, commercial growing environments. These are larger scale and more expensive trials that will typically span a growing season or longer and test different application methods and rates. In order to achieve regulatory approval for commercial use of a new biological pesticide/technology, additional safety and efficacy trials will be required as determined by the pertinent regulatory agency (for example, the EPA in the U.S. and the PMRA in Canada). This phase of product development may cost approximately \$1 million to \$5 million or more and take two to three years to complete. In addition, registration in other foreign jurisdictions may cost approximately \$10 million to \$15 million and take three to seven years to complete.

While the research and development costs and timelines for Soil Amendment and Biofertility applications mirror that for Biocontrol pesticides and herbicides, the time and cost for regulatory trials and approvals is anticipated to be much less.

Outside of North America, the Company's product development model emphasizes collaboration with industry participants who have resources and experience in pesticide technology commercialization. Typically, industry partners will conduct trials at their own expense. Therefore, it is unlikely that the

Company would bear the entire cost associated with product development on its own and would be able to access the know-how, research, development and regulatory expertise of industry participants.

On December 11, 2023, the Company announced the signing of a License and Collaboration Agreement with Bayer AG ("**Bayer**") covering soil applications of MustGrow's mustard-based biocontrol technologies in Europe, Middle East and Africa, excluding home and garden, turf and ornamental applications. Under the terms of the Agreement, MustGrow received an initial upfront payment as well as additional payments linked to the achievement of certain business milestones. Upon the commencement of commercial sales, MustGrow will also be entitled to fees from royalties and manufacturing sales. Pursuant to the Agreement, Bayer will be responsible for the regulatory and market development work in the respective field of use necessary to commercialize MustGrow's mustard-based biocontrol technologies. Pursuant to the Agreement, Bayer has also been granted a right-of-first-negotiation for a license to use MustGrow's mustard-based biocontrol technologies for use in bananas in particular applications, excluding post-harvest applications.

On May 2, 2024, the Company announced an exclusive distribution agreement with G.S. Long Co., Inc. for MustGrow's TerraSante™ biofertility product in Oregon and Washington State.

On July 9, 2024, the Company announced that it joined the Global Alliance Against TR4, an international consortium of world leading banana players committed to defeat Fusarium wilt TR4.

Over the past year, the Company announced receipt of registrations for TerraSante™ in California, Oregon, Washington, Idaho, Arizona and Florida. The Company is authorized to sell TerraSante™ in these states. Initial sales commenced in September, 2024.

Technology Pipeline

The Company's technology pipeline is presented below and describes, for each application, the stage of development and the steps to reach regulatory approval, which will facilitate commercial sales. Please refer to the discussion under the "Technology Pipeline and Market Opportunities" section of the Company's Annual Information Form ("**AIF**") dated April 23, 2024 available under the Company's Issuer Profile on SEDAR at www.sedarplus.ca.

	APPLICATIONS	TARGET	ESTIMATED MARKET SIZE / LOSS	PROOF OF CONCEPT Laboratory	EARLY R&D Greenhouse	ADVANCED R&D Field Trials	REGISTRATION Pre-Launch	Registrations / Partners
Soil Applied	Biofertility							
	TerraSante™	Preplant Biofertility for healthier soil and soil microbiome	US\$3.5 Billion Estimated Global Market Size					TerraSante™ Received US – OMRI & OIM Program certification and key state registrations including California
	Soil Biocontrol							
	TerraMG™	Nematodes, and soil borne diseases such as; Fusarium, Botrytis, Verticillium, Rhizoctonia, Pythium, Phytophthora, Sclerotinia, Aphanomyces, Clubroot Disease, etc.	US\$1.3 Billion Estimated Global Market Size in Fruit & Vegetable					TerraMG™ Registration work ongoing in multiple countries
	Bioherbicide	Natural Herbicide	US\$35 Billion Estimated Global Market Size					Formulation work on new extract
Non-soil Applied	Postharvest Biocontrol & Food Preservation							
	Storage: Potato, Fruit & Vegetable	Sprouting, diseases and pests	US\$1.5 Billion Estimated Global Market					
	Storage: Bulk Grain*	Mycotoxins and pests	US\$15 Billion Estimated Global Loss					
	Storage: Shipping Containers*	Diseases and pests	US\$2 Billion Estimated Global Market Size					
	Human & Animal Health							Agriculture and Agri-Food Canada

* Literature shows AITC has application in these areas.

Source: Globenewswire, Statista, Fortune Business, Polaris Market Research, 3rd Party Ag Market Researcher, MustGrow estimates.

Financing Activities

During the nine months ended September 30, 2024, the Company issued 177,035 common shares on exercise of restricted share units.

During the year ended December 31, 2023, the Company issued 1,804,338 common shares for proceeds totaling \$95,750 on the exercise of share units and stock options.

Results of Operations

For the three and nine months ended September 30, 2024 and 2023, the Company incurred losses of \$1,680,945 and \$3,675,680 compared to \$1,859,866 and \$4,107,591.

In September 2024, the Company realized deferred revenue of \$272,500 related to an exclusive evaluation and option agreement. Revenue received was initially deferred pending performance obligations which were met in September 2024. Also in September 2024, the Company realized first sales of TerraSante™.

Additional variation in earnings was driven primarily by the expense levels presented in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Research and development	\$ 93,533	\$ 97,298	\$ 523,013	\$ 670,860
Regulatory	45,570	124,967	246,823	225,970
Corporate communications	44,360	68,486	173,905	177,730
Transfer agent, filing and exchange	41,913	64,242	185,564	214,290
Office and administration	252,421	232,549	790,405	742,624
Marketing and promotion	85,340	114,508	350,034	412,351
Patent expenses	83,301	72,676	157,617	290,358
Professional fees	48,846	118,003	258,367	321,307
Stock-based compensation	1,304,505	1,018,732	1,461,336	1,217,019
	<u>\$ 1,999,789</u>	<u>\$ 1,911,461</u>	<u>\$ 4,147,064</u>	<u>\$ 4,272,509</u>

Research and development expenses include:

- Costs related to identification and extraction of Biocontrol, Soil Amendment and Biofertility compounds from mustard seed, and formulation of these compounds into biologic technologies and products ("**Process Development**");
- Testing of these technologies, assessing soil health and impact on various microbial diseases, pests and weeds in laboratory, greenhouse and field settings ("**Trials**"); and
- Fees paid to technical experts assisting with management of Process Development and Trials.

Research and development expenses decreased in 2024 as the Company decreased process development and trial activities and began to shift to commercialization activities.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Process development	\$ 28,062	\$ 49,652	\$ 294,689	\$ 536,635
Trials	36,071	11,755	107,610	24,136
Management	29,400	35,891	120,714	110,089
	<u>\$ 93,533</u>	<u>\$ 97,298</u>	<u>\$ 523,013</u>	<u>\$ 670,860</u>

Regulatory expenses include renewal fees for existing product registrations and fees paid to expert consultants working with regulatory bodies to achieve registration of the Company's technologies. Regulatory activity increased in 2024 related to TerraMG™ and TerraSante™ approval efforts.

Corporate communications expenses consist of fees paid to consultants to provide, amongst other services, the following:

- Educating investors and the general public about the Company's products and technology; and
- Communications with shareholders and financial market participants relating to the Company's products and technology trials.

The primary components of office and administration expenses are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Management compensation	\$ 228,002	\$ 218,597	\$ 684,070	\$ 669,847
Rent	12,011	11,826	35,787	40,298
Office expenses and other	12,408	2,126	70,548	32,479
	\$ 252,421	\$ 232,549	\$ 790,405	\$ 742,624

Marketing and promotion expenses include trade shows, travel, content and materials development and dissemination and consulting fees paid to market development representatives.

Professional fees include legal, audit and tax services.

Stock-based compensation is a non-cash expense and relates primarily to issuance of share units.

Cash Flows and Financial Position

Cash used in operating activities for the nine months ended September 30, 2024 and 2023 was \$3,003,085 and \$2,945,195, respectively. Overall cash expense levels were lower in 2024 compared to 2023, but the increase in inventory in 2024, related to TerraSante™ sales, resulted in comparable cash flows from operations.

The Company repaid long-term debt of \$241,343 to Ag West Bio Inc. in April 2024. For the nine months ended September 30, 2023, the Company received \$95,750 on exercise of stock options.

Total assets decreased to \$4,312,946 at September 30, 2024 from \$6,937,863 at December 31, 2023 due to a lower cash balance driven by funds required for operating activities.

Total liabilities decreased to \$943,014 at September 30, 2024 from \$1,353,587 at December 31, 2023 due to the repayment of a portion of the Ag West Bio Inc. long-term debt and the realization of deferred revenue.

Selected Quarterly Information

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements.

Quarter Ended	Revenue \$	Income (loss) for the period \$	Income (loss) per Share (Basic & Diluted) \$
September 30, 2024	275,441	(1,680,945)	(0.03)
June 30, 2024	0	(960,209)	(0.02)
March 31, 2024	0	(1,034,526)	(0.02)
December 31, 2023	4,712,200	3,430,651	0.07
September 30, 2023	0	(1,859,867)	(0.04)
June 30, 2023	0	(1,201,309)	(0.02)
March 31, 2023	0	(1,046,415)	(0.02)
December 31, 2022	0	(1,008,277)	(0.02)

The Company is not currently subject to seasonality fluctuations and the variation in results for the quarterly periods reflects license revenue, increased or decreased levels of research, technology development and corporate activity.

Financial Condition, Liquidity and Capital Resources

The Company's working capital at September 30, 2024 was \$3,510,860 including cash of \$3,572,741. The Company currently does not generate positive cash flows and is reliant on equity financing to provide the necessary cash to acquire or participate in an active business. There can be no assurance that equity financings, on terms satisfactory to the Company, will be available to the Company in the future.

The Company has not entered into any off-balance sheet arrangements.

Related Party Transactions

During the three and nine months ended September 30, 2024, the Company incurred consulting fees and office rent of \$240,012 and \$719,857 respectively (2023 – \$230,424 and \$698,001) to companies controlled by directors and officers of the Company.

During the three and nine months ended September 30, 2024, stock-based compensation related to Stock Options and Share Units issued to directors and officers of the Company totaled \$1,130,943 and \$1,197,805, respectively (2023 – \$987,500 and \$1,124,921).

At September 30, 2024 there was \$137,434 accrued and payable to companies controlled by directors and officers of the Company (December 31, 2023 – \$37,960).

Financial Instruments and Risk Management Fair Values

The fair values of cash and equivalents, receivables, trade payables and long-term debt approximate their fair values because of their nature and relatively short maturity dates or durations. The long-term debt is valued using a discounted cash flow model taking into consideration the current market interest rate with similar term to maturity and the Company's current credit quality. As at September 30, 2024 the fair value of long-term debt was \$517,991 (December 31, 2023, \$759,334).

(a) Financial Risk Management

The board of directors of the Company (the "**Board**") has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

(b) Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and receivables. The

Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets. As at September 30, 2024 the allowance for credit losses was \$nil (December 31, 2023 – \$nil).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant, but the Company is not currently subject to any such risks in a material way.

(a) 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.

(b) Foreign currency risk

The Company conducts certain of its operations in U.S. 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, 2024, the Company held U.S. dollar cash of \$62,622 (December 31, 2023 – \$575,210).

(c) Equity price risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company's earnings are not currently exposed to price risk, however equity market fluctuations and conditions may impact the Company's ability to raise equity capital. The Company closely monitors the stock market to determine the appropriate course of action to be taken by the Company.

Changes in IFRS Accounting Policies and Future Accounting Pronouncements

In October 2022, the IASB issued amendments to IAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify if an entity is required to comply with covenants before the end of the reporting period in scenarios where covenants are measured at a reporting date, but assessed for compliance subsequent to the reporting period. Such arrangements

also require a disclosure in the notes to the financial statements. The amendments had no impact on the Company's interim condensed financial statements.

Contingencies

The Company is not aware of any contingencies as of the date of this MD&A.

Additional share information

As at September 30, 2024 the Company had outstanding:

- (i) 51,640,610 common shares;
- (ii) 2,526,857 deferred share units convertible into common shares; and
- (iii) 1,550,000 stock options convertible into common shares;

Risks and Uncertainties

The Company is subject to all of the business risks and uncertainties associated with any early-stage enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. Most of its main technologies have yet to reach commercialization stage. Certain factors, including but not limited to the ones described in its AIF, could materially affect the Company's financial condition and/or future operating results, and could cause actual events to differ materially from those described in forward-looking statements made by or relating to the Company.

Please refer to the discussion of forward-looking statements and information under the heading "Forward-Looking Statements" located at the beginning of the Company's AIF filed on SEDAR under the Company's issuer profile, as well as the discussion of risks and uncertainties set out under the heading "Risk Factors", located within the Company's AIF filed on SEDAR. The reader should carefully consider these risks as well as the information disclosed in the Company's audited annual financial statements, and other publicly filed disclosure regarding the Company, available on SEDAR (www.sedarplus.ca) under the MustGrow's issuer profile.