

MUSTGROW BIOLOGICS CORP.

Condensed Interim Financial Statements
Three and six months ended June 30, 2025 and 2024
(Unaudited)
Expressed in Canadian Dollars

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of MustGrow Biologics Corp. for the three and six months ended June 30, 2025 and 2024 have been prepared by, and are the responsibility of, management, and have been approved by the Audit Committee and the Board of Directors.

Under National Instrument 51-102, Part 4 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these financial statements.

MUSTGROW BIOLOGICS CORP.
Condensed interim statements of financial position
Unaudited
(Expressed in Canadian Dollars)

| | June 30, 2025 | December 31, 2024 |
|---|---------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,820,955 | \$ 2,997,530 |
| Accounts receivable | 898,017 | 102,776 |
| Inventory (note 4) | 1,841,106 | 1,430,223 |
| Prepaid expenses and deposits | 314,278 | 129,885 |
| | 4,874,356 | 4,660,414 |
| Equipment (note 5) | 171,972 | 180,264 |
| Intangible assets (note 6) | 575,575 | 575,575 |
| Right-of-use assets (note 7) | 40,140 | - |
| Total assets | \$ 5,662,043 | \$ 5,416,253 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 11 and 14) | \$ 2,636,988 | \$ 2,503,118 |
| Current portion of lease liability (note 7) | 14,142 | - |
| Current portion of long-term debt (note 8) | 517,991 | 393,459 |
| | 3,169,121 | 2,896,577 |
| Non-current liabilities | | |
| Earn-out payable (note 14) | 71,742 | 225,575 |
| Lease liability (note 7) | 26,576 | - |
| Long-term debt (note 8) | - | 124,532 |
| Convertible debentures (note 9) | 2,585,000 | - |
| Total liabilities | 5,852,439 | 3,246,684 |
| EQUITY | | |
| Share capital (note 10) | 25,814,145 | 25,333,011 |
| Contributed surplus (note 10) | 4,894,409 | 5,006,297 |
| Deficit | (30,898,950) | (28,169,739) |
| | (190,396) | 2,169,569 |
| Total liabilities and equity | \$ 5,662,043 | \$ 5,416,253 |

The accompanying notes are an integral part of these financial statements

MUSTGROW BIOLOGICS CORP.
Condensed interim statements of loss and comprehensive loss
Unaudited
(Expressed in Canadian Dollars)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|------------------------------|----------------------------|------------------------------|------------------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue | | | | |
| Sales (note 12) | 2,849,324 | - | \$ 6,631,060 | \$ - |
| Cost of Sales | (2,254,606) | - | (5,495,121) | - |
| | <u>\$ 594,718</u> | <u>\$ -</u> | <u>\$ 1,135,939</u> | <u>\$ -</u> |
| Expenses | | | | |
| Selling expenses | \$ 546,070 | \$ - | \$ 1,053,150 | \$ - |
| Marketing and promotion | 136,840 | 135,458 | 369,698 | 264,693 |
| Office and administration (note 11) | 292,032 | 257,673 | 682,840 | 537,985 |
| Research and development | 81,222 | 122,393 | 203,524 | 429,480 |
| Regulatory | 14,692 | 110,765 | 167,943 | 201,253 |
| Corporate communications | 47,335 | 65,148 | 172,114 | 129,545 |
| Transfer agent, filing and exchange | 86,571 | 89,120 | 156,326 | 143,651 |
| Patent expenses | 34,798 | 58,125 | 49,946 | 74,316 |
| Professional fees | 115,829 | 171,575 | 391,597 | 209,521 |
| Royalty expense (note 8) | 142,690 | - | 207,929 | - |
| Depreciation (note 5 and 7) | 13,317 | - | 24,125 | - |
| Stock-based compensation (note 11) | 56,391 | 12,679 | 105,111 | 156,831 |
| | <u>\$ 1,567,787</u> | <u>\$ 1,022,936</u> | <u>\$ 3,584,303</u> | <u>\$ 2,147,275</u> |
| Loss before the following | <u>\$ (973,069)</u> | <u>\$ (1,022,936)</u> | <u>\$ (2,448,364)</u> | <u>\$ (2,147,275)</u> |
| Interest income | 4,480 | 56,109 | 18,177 | 131,151 |
| Finance costs (note 13) | (110,527) | - | (295,243) | - |
| Foreign exchange gain (loss) | (9,788) | 6,618 | (3,781) | 21,389 |
| Net loss | <u>\$ (1,088,904)</u> | <u>\$ (960,209)</u> | <u>\$ (2,729,211)</u> | <u>\$ (1,994,735)</u> |
| Total comprehensive loss | <u>\$ (1,088,904)</u> | <u>\$ (960,209)</u> | <u>\$ (2,729,211)</u> | <u>\$ (1,994,735)</u> |
| Net loss per share, basic and diluted | \$ (0.02) | \$ (0.02) | \$ (0.05) | \$ (0.04) |
| Weighted average number of shares outstanding, basic and diluted | 52,127,707 | 51,640,610 | 51,888,195 | 51,551,120 |

The accompanying notes are an integral part of these financial statements

MUSTGROW BIOLOGICS CORP.
Condensed interim statements of changes in equity (deficiency)
Unaudited
(Expressed in Canadian Dollars)

| | Number of common shares <u> </u> (note 10) | Share capital <u> </u> | Contributed surplus <u> </u> | <u>Deficit</u> | <u>Total</u> |
|---|---|---------------------------------------|---|------------------------|---------------------|
| Balance, December 31, 2023 | 51,463,575 | \$ 25,060,377 | \$ 3,804,916 | \$ (23,281,017) | \$ 5,584,276 |
| Exercise of share units and stock options | 177,035 | 272,634 | (272,634) | - | - |
| Stock-based compensation | - | - | 156,831 | - | 156,831 |
| Net loss and comprehensive loss | - | - | - | (1,994,735) | (1,994,735) |
| | <hr/> | | | | |
| Balance, June 30, 2024 | <u>51,640,610</u> | <u>\$ 25,333,011</u> | <u>\$ 3,689,113</u> | <u>\$ (25,275,752)</u> | <u>\$ 3,746,372</u> |
| | | | | | |
| Balance, December 31, 2024 | 51,640,610 | \$ 25,333,011 | \$ 5,006,297 | \$ (28,169,739) | \$ 2,169,569 |
| Stock-based compensation | - | - | 105,111 | - | 105,111 |
| Exercise of stock options | 746,882 | 481,134 | (349,687) | - | 131,447 |
| Amortization of Unit Warrants | - | - | 105,808 | - | 105,808 |
| Issuance of Finders Warrants | - | - | 26,880 | - | 26,880 |
| Net loss and comprehensive loss | - | - | - | (2,729,211) | (2,729,211) |
| | <hr/> | | | | |
| Balance, June 30, 2025 | <u>52,387,492</u> | <u>\$ 25,814,145</u> | <u>\$ 4,894,409</u> | <u>\$ (30,898,950)</u> | <u>\$ (190,396)</u> |

The accompanying notes are an integral part of these financial statements

MUSTGROW BIOLOGICS CORP.
Condensed interim statements of cash flows
Unaudited
(Expressed in Canadian Dollars)

| | Six months ended June 30, | |
|--|---------------------------|---------------------|
| | 2025 | 2024 |
| Operating Activities | | |
| Net loss | \$ (2,729,211) | \$ (1,994,735) |
| Items not affecting cash | | |
| Stock-based compensation | 105,111 | 156,831 |
| Depreciation expense | 24,125 | - |
| Non-cash finance costs | 133,992 | - |
| Net changes in non-cash working capital items: | | |
| Accounts receivable | (795,241) | (85,739) |
| Inventory | (410,883) | 14,356 |
| Prepaid expenses and deposits | (184,393) | (30,127) |
| Accounts payable and accrued liabilities | (19,964) | 34,111 |
| Cash used in operating activities | (3,876,464) | (1,905,303) |
| Investing Activities | | |
| Purchase of equipment | (10,816) | - |
| Cash (used in) investing activities | (10,816) | - |
| Financing Activities | | |
| Issuance of convertible debentures (note 9) | 2,585,000 | - |
| Exercise of stock options | 131,447 | - |
| Repayment of long-term debt | - | (241,343) |
| Payment of lease liabilities (note 7) | (5,743) | - |
| Cash (used in) provided by financing activities | 2,710,704 | (241,343) |
| Net decrease in cash during the period | (1,176,575) | (2,146,646) |
| Cash, beginning of the period | 2,997,530 | 6,817,169 |
| Cash, end of the period | \$ 1,820,955 | \$ 4,670,523 |

The accompanying notes are an integral part of these financial statements

1. Nature and continuance of operations

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

The Company is a fully integrated provider of innovative biological and regenerative agriculture solutions designed to support sustainable farming. The Company's proprietary and third-party product lines offer eco-friendly alternatives to restricted or banned synthetic chemicals and fertilizers. In North America, MustGrow, through its sales and distribution division NexusBioAg (acquired December 31, 2024, see Note 14), offers a portfolio of third-party crop nutrition solutions, including micronutrients, nitrogen stabilizers, biostimulants, and foliar products. These products are synergistically distributed alongside MustGrow's wholly owned proprietary products and technologies that are derived from mustard and developed into organic biocontrol and biofertility products to help replace banned or restricted synthetic chemicals and fertilizers. Outside of North America, MustGrow is focused on collaborating with agriculture companies, such as Bayer AG in Europe, the Middle East and Africa, to commercialize MustGrow's wholly owned proprietary products and technologies. 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. markets.

2. Basis of preparation

Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board, using accounting policies consistent with those used in the Company's annual financial statements for the year ended and as of December 31, 2024. 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 annual financial statements.

The financial statements were authorized for issuance by the Company's Board of Directors on August 27, 2025.

3. Material accounting policy information

Accounting standards and amendments adopted

In August 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. This amendment is effective for annual reporting periods beginning on or after January 1, 2025. The amendments had no impact on the Company's interim condensed financial statements.

MUSTGROW BIOLOGICS CORP.
Notes to the condensed interim financial statements
Unaudited
(Expressed in Canadian Dollars)
Three and six months ended June 30, 2025 and 2024

4. Inventory

| | June 30, 2025 | December 31, 2024 |
|----------------|--------------------------|------------------------------|
| Finished goods | \$ 1,607,769 | \$ 1,196,886 |
| Raw material | 233,337 | 233,337 |
| | <u>\$ 1,841,106</u> | <u>\$ 1,430,223</u> |

The cost of inventories recognized as an expense and included in cost of sales during the three and six months ended June 30, 2025 totaled \$2,254,606 and 5,495,121, respectively (2024 – \$nil).

5. Equipment

Equipment is stated at cost less accumulated depreciation. Depreciation is computed using the declining balance method over the estimated useful lives of the assets. The estimated useful lives of equipment generally range from 5 to 10 years, depending on the nature of the asset.

| | June 30, 2025 | December 31, 2024 |
|--------------------------|--------------------------|------------------------------|
| Equipment | \$ 191,080 | \$ 180,264 |
| Accumulated depreciation | (19,108) | - |
| | <u>\$ 171,972</u> | <u>\$ 180,264</u> |

6. Intangible assets

On December 31, 2024, the Company acquired certain Canadian Food Inspection Agency product registrations and trademarks. These product registrations are renewed every five years for a modest fee.

7. Right-of-use assets

During the six months ended June 30, 2025, the Company entered into a 36 month lease contract for a vehicle used in its operations.

The carrying amounts of right-of-use assets are presented below.

| | <u>Vehicle</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-----------------------------|------------------|-------------------------------------|---------------------------|
| December 31, 2024 | \$ - | \$ - | \$ - |
| Additions | 45,157 | - | |
| Depreciation for the period | - | 5,017 | - |
| June 30, 2025 | <u>\$ 45,157</u> | <u>\$ 5,017</u> | <u>\$ 40,140</u> |

MUSTGROW BIOLOGICS CORP.
Notes to the condensed interim financial statements
Unaudited
(Expressed in Canadian Dollars)
Three and six months ended June 30, 2025 and 2024

The carrying amounts of lease liabilities are presented below.

| | |
|--------------------------|------------------|
| December 31, 2024 | \$ - |
| Additions | 45,157 |
| Accretion of interest | 1,304 |
| Payments | <u>(5,743)</u> |
| June 30, 2025 | \$ 40,718 |
| Current portion | <u>14,142</u> |
| Long-term portion | <u>\$ 26,576</u> |

The following are the amounts related to the lease recognized in the Statement of Loss.

| | Six months ended June 30, | |
|--|----------------------------------|--------------------|
| | <u>2025</u> | <u>2024</u> |
| Depreciation expense on right-of-use assets | \$ 5,017 | \$ - |
| Interest expense on lease liabilities | 1,304 | |
| Total expense related to right-of-use assets | <u>\$ 6,321</u> | <u>\$ -</u> |

Total cash outflow for the lease for the six months ended June 30, 2025 was \$5,743 (2024 – nil).

Total undiscounted future cash outflows for the lease are presented below.

| | |
|------|------------------|
| 2025 | \$ 8,615 |
| 2026 | 17,229 |
| 2027 | 17,229 |
| 2028 | <u>2,872</u> |
| | <u>\$ 45,945</u> |

8. Debt

| | June 30 | December 31 |
|---|--------------------|--------------------|
| | <u>2025</u> | <u>2024</u> |
| Ag-West Bio Inc. loan | \$ 140,928 | \$ 140,928 |
| Saskatchewan Minister of Agriculture loan | 377,063 | 377,063 |
| | <u>517,991</u> | <u>517,991</u> |
| Less current portion | 517,991 | 393,459 |
| | <u>\$ -</u> | <u>\$ 124,532</u> |

Under the terms of the Ag-West Bio Inc. (“Ag-West”) loan, the Company will pay Ag-West a royalty of 5% of all gross revenues received by the Company or an affiliate commencing on the date the Company or its affiliates have attained \$500,000 in cumulative revenues beginning May 5, 2017. Gross revenue received is defined to include all sources of revenue, including product sales, licensing revenue, sub-licensing revenue,

and royalty revenue received, as well as proceeds derived from the sale of the assets or sales of the Company or an affiliate as part of a divestiture of the business or that would result in a change of control. The maximum amount Ag-West may receive under this agreement is \$750,000, with the first \$382,271 payments to be applied to pay down the principal outstanding. Ag-West has retained a general security interest in all of the Company's assets. As at June 30, 2025, \$140,928 of the Ag-West loan remains outstanding and is classified as current (current portion, December 31, 2024 - \$16,396). For the three and six months ended June 30, 2025, the 5% royalty on gross revenue resulted in accrued royalty expense of \$142,690 and 207,929, respectively (2024 – nil).

Under the terms of the Saskatchewan Minister of Agriculture loan, the principal amount of \$377,063 was due on March 1, 2022. Interest accrues at prime rate plus 2% commencing on the day on which the Company earns cumulative revenue in excess of \$250,000 from the commercial sale of the products, provided such date is prior to March 1, 2022. Interest at a rate 10% per annum will accrue and be payable on demand on any principal and interest in arrears. The terms of the Saskatchewan Minister of Agriculture loan were amended as of March 1, 2020, at which time a gain on extinguishment was recorded based on a fair value interest rate of 17%. Under the terms, from February 1, 2020 onward, interest accretion was recorded at an effective rate of 17% until the maturity date of March 1, 2022, and no interest has been accrued subsequent to this date. The Company is currently in discussions with the Saskatchewan Minister of Agriculture regarding settlement or extension of the loan and, accordingly, no interest has been accrued.

9. Convertible debentures

On January 16, 2025, the Company announced the closing of a non-brokered private placement of units (each, a "Unit") at a price per Unit of \$1,000 for aggregate gross proceeds to the Company of \$2,585,000 (the "Private Placement") on January 16, 2025 (the "Closing Date"). Each Unit is comprised of: (i) \$1,000 principal amount of unsecured convertible debentures (the "Debentures"); and (ii) 666 common share purchase warrants (the "Unit Warrants"). Each Debenture may, at the option of the holder: (i) be converted into common shares in the capital of the Company at price of \$1.50 per common share at any time; or (ii) be paid in cash 60 months following the Closing Date (subject to certain acceleration rights). Each Unit Warrant is exercisable by the holder thereof to acquire one common share at a price of \$1.90 per common share for a period of 60 months following the Closing Date. The Debentures accrue interest at a rate of 8% per annum, payable semi-annually in cash.

10. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

| | Number of common shares | Share capital |
|-----------------------------------|-------------------------------|----------------------|
| Balance, December 31, 2023 | 51,463,575 | \$ 25,060,377 |
| Exercise of Share Units | 177,035 | 272,634 |
| Balance, December 31, 2024 | 51,640,610 | \$ 25,333,011 |
| Exercise of Stock Options | 746,882 | 481,134 |
| Balance, June 30, 2025 | <u>52,387,492</u> | <u>\$ 25,814,145</u> |

Omnibus Incentive Plan

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

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

Upon redemption of Share Units, holders will receive, at the discretion of the Company: i) common shares equal to the number of Share Units granted; ii) a cash payment equal to the number of Share Units multiplied by the fair market value of a common share on the redemption date; or iii) a combination of common shares and cash.

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

MUSTGROW BIOLOGICS CORP.
Notes to the condensed interim financial statements
Unaudited
(Expressed in Canadian Dollars)
Three and six months ended June 30, 2025 and 2024

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

| | <u>RSU's</u> | <u>PSU's</u> | <u>DSU's</u> |
|-----------------------------------|----------------|----------------|------------------|
| Balance, December 31, 2023 | 177,035 | - | 951,459 |
| Exercised | (177,035) | - | - |
| Issuance | - | - | 1,575,398 |
| Balance, December 31, 2024 | - | - | 2,526,857 |
| Issuance | 217,685 | 241,855 | - |
| Balance, June 30, 2025 | <u>217,685</u> | <u>241,855</u> | <u>2,526,857</u> |
| Vested at June 30, 2025 | <u>-</u> | <u>-</u> | <u>2,526,857</u> |

The Company issued 217,685 RSU's and 241,855 PSU's to employees during the three and six months ended June 30, 2025. The value of these RSU's and PSU's was based on the fair value of the Company's common shares on the dates of grant - \$1.47 and \$1.33. The value of the PSU's also considered the estimated outcome of the performance conditions attached to the PSU's. The value of the RSU's and the PSU's was calculated as \$312,857 and \$243,272, respectively, and is recorded as stock-based compensation as the Share Units vest.

On September 3, 2024, the Company issued 1,575,398 DSU's to directors, officers and consultants of the Company. The value of these DSU's was based on the fair value of the Company's common shares on the date of grant, September 3, 2024. Accordingly, the fair value was \$0.82 per Share Unit for a total value of \$1,291,826 and is recorded as stock-based compensation as the Share Units vest.

Stock-based compensation related to Share Units of \$56,391 and \$94,995 was recorded for the three and six months ended June 30, 2025 (2024 – nil and \$116,477).

During the year ended December 31, 2024, 177,035 RSU's were settled through the issuance of 177,035 common shares, resulting in a transfer of \$272,634 from contributed surplus to share capital.

Legacy Option Plan

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

Each stock option issued under the Legacy Option Plan ("Stock Option") converts into one common share of the Company on exercise. No amounts were paid or payable by the individual on receipt of the Stock Option. Stock Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company's Legacy Option Plan provided that the number of common shares reserved for issuance may not exceed 10% of the aggregate number of common shares that are outstanding.

On May 1, 2025, 100,000 Stock Options expired and 900,000 Stock Options were exercised resulting in the issuance of 746,882 shares and net proceeds of \$131,447.

MUSTGROW BIOLOGICS CORP.
Notes to the condensed interim financial statements
Unaudited
(Expressed in Canadian Dollars)
Three and six months ended June 30, 2025 and 2024

No Stock Options were issued in the three and six months ended June 30, 2025 or the year ended December 31, 2024.

Stock-based compensation related to Stock Options of \$10,116 was recorded for the three and six months ended June 30, 2025 (2024 - \$12,679 and \$40,354).

A summary of the status of the Stock Options outstanding follows.

| <u>Exercise price</u> | <u>Stock Options outstanding</u> | <u>Expiry date</u> | <u>Weighted average remaining contractual life (years)</u> | <u>Stock Options exercisable</u> |
|-----------------------|----------------------------------|--------------------|--|----------------------------------|
| \$3.40 | 250,000 | 2027-03-14 | 1.70 | 250,000 |
| 2.10 | 50,000 | 2026-01-14 | 0.54 | 50,000 |
| 1.05 | 250,000 | 2025-12-14 | 0.46 | 250,000 |
| | <u>550,000</u> | | | <u>550,000</u> |

Warrants

In connection with the Private Placement, the Company issued 1,721,610 Unit Warrants, exercisable by the holder thereof to acquire one Common Share at a price of \$1.90 per Common Share for a period of 60 months following January 16, 2025. The value of the Unit Warrants was determined to be \$744,329, based on the present value of the difference between the 8% interest on the Debentures and 17% interest as observed in comparable debenture instruments without equity components. This amount will be recognized in finance costs over the life of the Debentures with a corresponding credit to contributed surplus.

In connection with the Private Placement, the Company issued to certain finders an aggregate of 44,800 non-transferable finder's warrants (the "Finder Warrants"). Each Finder Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$1.90 per Common Share for a period of 24 months following January 16, 2025. The fair value of these warrants at the date of issuance was estimated using the Black-Scholes option pricing model at \$0.60 per warrant, based on the following assumptions: expected annualized volatility of 80%; risk-free interest rate of 2.95%; expected dividend yield of 0%; expected life of two years. This is accounted for as equity-settled share-based payments to non-employees under IFRS 2, and \$26,880 was recorded in contributed surplus with the corresponding expense included in finance costs.

At June 30, 2025, the Company had 1,766,410 warrants outstanding, consisting of 1,721,610 Unit Warrants and 44,800 Finders Warrants.

11. Related parties

During the three and six months ended June 30, 2025, the Company incurred consulting fees and office rent of \$238,486 and 490,562, respectively, (2024 – \$239,996 and \$479,845) to companies controlled by directors and officers of the Company. The fees paid to directors and officers of the Company considered

to be related parties for financial reporting purposes are made on terms equivalent to those that prevail in arm's length transactions.

During the three and six months ended June 30, 2025, stock-based compensation related to Stock Options and Share Units issued to directors and officers of the Company totaled \$10,116 (2024 – \$12,679 and \$66,862).

At June 30, 2025 there was \$120,357 accrued and payable to companies controlled by directors and officers of the Company (December 31, 2024 – \$248,462). Outstanding balances are unsecured and interest free. Settlement of these liabilities occurs in cash. There have been no guarantees provided for any related party payables.

12. Revenue

For the three and six months ended June 30, 2025, sales revenue of \$312,832 was sourced from the United States and the remainder was from Canada.

13. Finance costs

The components of finance costs are presented below.

| | Three months ended June 30, | | Six months ended June 30, | |
|--|------------------------------------|--------------------|----------------------------------|--------------------|
| | <u>2025</u> | <u>2024</u> | <u>2025</u> | <u>2024</u> |
| Interest on Debentures | \$ 51,559 | \$ - | \$ 94,051 | \$ - |
| Amortization of Unit Warrants | 58,003 | - | 105,808 | - |
| Interest on lease liabilities | 965 | - | 1,304 | - |
| Finder's fees, paid in cash | - | - | 67,200 | - |
| Finder's fees, paid in Finder Warrants | - | - | 26,880 | - |
| | <u>\$ 110,527</u> | <u>\$ -</u> | <u>\$ 295,243</u> | <u>\$ -</u> |

14. Acquisition of NexusBioAg assets

On January 2, 2025, the Company announced the execution and closing of an Asset Purchase Agreement (the "APA") dated December 31, 2024 with Univar Solutions Canada Ltd. ("Univar Solutions") for the acquisition of certain assets related to NexusBioAg. The consideration payable to Univar Solutions pursuant to the APA is (i) a deferred cash payment of approximately \$1,662,307, subject to adjustment in accordance with the terms of the APA; and (ii) earn-out payments equal to a specified percentage amount of gross margin on certain itemized products sold by the Company in 2025 and 2026. The estimated fair value of the earn-out payments is \$225,575, \$153,833 of which is included in accounts payable and accrued liabilities and \$71,742 of which is classified as a non-current liability. The deferred cash payment is included in

accounts payable and accrued liabilities. The costs of the purchase were allocated to the identifiable assets on the basis of their values on the date of purchase.

| | |
|---|--------------------|
| Inventory | \$1,132,043 |
| Fixed assets | 180,264 |
| Intangible assets (product registrations and trademark) | <u>575,575</u> |
| | <u>\$1,887,882</u> |

The fair value measurement of the inventory and fixed assets was based on the arms-length agreement between Univar Solutions and the Company as well as reference to the market price of these assets on the date on which the transaction occurred. The fair value measurement of the product registrations was calculated to be \$258,349, based on replacement cost for similar registrations. The fair value measurement of the trademark was calculated to be \$317,226, based on a royalty calculation estimate. This calculation uses the following estimates:

- A discount rate of 17%
- A royalty rate of 0.5%

If the estimated discount rate used in the calculation had been 1% higher than management's estimate, the fair value of the trademark name would have been \$11,250 lower. If the estimated royalty rate had been 0.25% higher than management's estimate, the fair value of the trademark name would have been \$169,450 higher.

15. Financial instruments

Interest rate risk

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

Foreign currency risk

The Company conducts certain of its operations in United States dollars and has sales and purchases in US dollars which are recorded at the spot rate at the date of the transaction. As of June 30, 2025, the Company held US dollar cash of \$83,185 (December 31, 2024 – \$25,376).

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 of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

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 June 30, 2025 the allowance for credit losses was \$nil (2024 - \$nil).

Financial instrument carrying values and fair values

For all current financial assets and financial liabilities, carrying amounts are assumed to approximate fair value due to the short-term maturities of these items.

The long-term debt at June 30, 2025 consists of the Debentures, valued at amortized cost, the Ag-West Bio Inc. loan and the Saskatchewan Minister of Agriculture loan, both valued using a discounted cash flow test taking into consideration the current market rate of interest with similar term to maturity and the Company's current credit quality. As at June 30, 2025, the fair value of the long-term debt is \$3,102,991 (December 31, 2024 - \$517,991) and is classified as level 3 in the fair value hierarchy.

16. Commitments

During the second quarter of 2025, the Company entered into a take-or-pay agreement for the purchase of fertilizer products, under which the Company is obligated to either take delivery of or pay for a minimum volume of product in 2025. The product purchase price will be based on market prices at the time of purchase and is estimated to be approximately \$9 million. No liability or asset is recognized on the balance sheet at initial recognition. Management revises forecast usage throughout the term and expects full utilization of the contracted minimum volumes, so no provision for onerous contract has been recognized.

17. Disputes

From time to time, the Company may become involved in various legal disputes. While it may not be possible to estimate the exact outcome of these disputes, management believes that there will be no significant adverse effects on the financial position of the Company when such matters are resolved.