



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED MARCH 31, 2017

GENERAL

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at www.dusolo.com. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended 31st March 2017 and audited consolidated financial statements for the year ended September 30, 2016, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. The MD&A contains certain Forward Looking Statements which are provided on Page 22.

This MD&A has been prepared as of May 30, 2017.

RECENT EVENTS

On May 18, 2017, the shareholders of the Company approved all items placed before its annual general and special meeting. Each resolution was passed by more than 95% of shares voting with no other business proposed at the meeting. Shareholders representing 58% of the existing shareholders voted.

On May 3, 2017 – the Company announced a non-brokered private placement to raise C\$3.0 million (the "**Placement**") through the issuance of common shares of the Company ("**Shares**") at a price of C\$0.03 per Share (the "**Issue Price**"). The Issue Price represented the Company's current market price of C\$0.03 per common share. The Placement will result in the issuance of up to 100,000,000 common shares of the Company.

Alongside the private placement the Company will consolidate its issued and outstanding common shares on a 10:1 ratio (the "**Consolidation**"), which was approved by the Company's shareholders at the Company's annual general and special meeting (the "**AGM**") held on May 18, 2017.

There are presently 242,144,579 common shares of the Company issued and outstanding. After giving effect to the proposed consolidation, and assuming that the Placement is fully subscribed, there will be 35,881,123 common shares issued and outstanding after the Consolidation takes effect.

On April 25, 2017 the Company announced that Mr. Leslie Shen has resigned as Chief Financial Officer ("CFO"). Dr. Peter Ruxton will serve as the interim Chief Financial Officer ("interim CFO") in the short-term while the Company conducts an executive search to identify a permanent CFO.

On March 9, 2017 the Company announced the appointment of two new non-executive directors – Mr. David Cather and Dr. Scott Morrison. Between them they bring a wealth of experience in both mining and business generally, as well increasing the Company's presence in London and Switzerland. On March 29,



2017 the Company announced the appointment of Dr. Morrison as the Non-Executive Chairman of the Board of Directors.

In addition the Board would like to express its sincere thanks to Mr. Mike Vint, who stepped down. Mr. Vint made a significant contribution in getting the Company on track to deliver value and growth.

On 23rd March 2017, the Company announced the completion of a DANF Preliminary Economic Assessment (“DANF PEA”) of the Company’s DANF Santiago Project demonstrating the project’s positive economic potential. The DANF PEA is the first stage of the Company’s strategy to demonstrate the economic potential of the Company’s mineral resources based on the phosphate (“ P_2O_5 ”) deposits at its Bonfim Project in Brazil. The Santiago deposit within the Bonfim area currently extracts phosphate rock which is processed into two DANF products grading 12% and 15% P_2O_5 at the Campos Belos Plant. The second stage of this strategy is to further improve its economic viability through the potential production of an Acid Granulated Phosphate Fertilizer, which combines 15% DANF with sulphuric acid to improve the agronomic performance of the DANF. This granulated product is expected to increase the market available to the Company, and yield higher selling prices due to improved solubility and agronomic performance based on a market study completed by Agroconsult. With the positive results of the DANF PEA, the Company has commenced the second stage of the strategy to produce the AG DANF PEA which is targeted for completion in the second half of 2017.

DANF PEA HIGHLIGHTS

- Indicated Resources of 1.16Mt at 8.23% P_2O_5 , including 0.29Mt at 14.78% P_2O_5
- Inferred Resources of 2.70Mt at 8.58% P_2O_5 , including 0.82Mt at 14.72% P_2O_5
- Life of Mine (“LOM”) 12.5 years
- LOM Production of 543Kt of 12% DANF and 635Kt of 15% DANF
- Post-tax NPV (10%) of US\$13.0m
- Zero Initial Capital (already operating)
- Operating Costs (Mine, Plant, G&A) of US\$18.47/t
- Upside Case NPV(10%) of US\$30.3m based on Agroconsult Consultoria e Projetos (“Agroconsult”) DANF Prices

On January 20, 2017, the Company executed an amendment agreement with Quantum Mineração Ltda, (“Quantum”) the vendor of the various concessions that make up the Company’s assets in Tocantins State in Brazil. The amendment suspends payments until the end of March 2017, and the remaining balance of R\$2.42 million will be paid in three equal monthly installment from 1st April 2017. Subsequently, on May 3, 2017 the Company announced that it has negotiated a re-structured payments schedule, with payments commencing in May 2017 and ending in December 2019. An amendment outlining the changes has been executed and the Company and Quantum are working on detailed documentation. The payment re-structure is a beneficial realignment of payments and the Company’s projected growth and revenues over the period to December 2019.

In January 2017 the Company filed a geological Final Report with the DNPM for the Bonfim concession and relinquished 4 other concessions (Kalunga I&II, Amaralina and Depasa) to rationalize its exploration portfolio. The Final Report is the first stage in converting an exploration concession to a mining



concession. A similar process is already underway at the Santiago concession (filed in March 2016) and the Company expects to file a positive Final Report on the Amaury concession in early 2018.

On the December 8, 2016, the Company announced that it had finalized the terms of an extension of its convertible loan agreement with Tembo Capital Mining Fund LP ("Tembo") announced on 1st October 2015 (the "Loan Agreement"). Pursuant to the Loan Agreement, Tembo advanced \$750,000 (the "Loan") to the Company, which was originally due on the 30th September 2016, and had an interest rate of 10%, and an establishment fee of 5%. The maturity date of the Loan has been extended to the 7th December 2017. The interest rate of 10% is maintained in respect of the extended loan, and a further 5% establishment fee is payable in respect of the 12 month extension. Accrued interest and the original establishment fee have been capitalized and added to the principal amount of the Loan, bringing it to \$876,267. Tembo may, at any time, convert the Loan and all interest and fees accruing thereunder into Units at a price of \$0.05 per Unit (the "Conversion Price"). Each Unit shall consist of one common share of the Company (a "Common Share") and one-half of a Common Share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one common share at an exercise price of \$0.065 for a period of 36 months from the date of issuance to the Lender. Formerly, the conversion price was \$0.10 per share and \$0.15 per whole warrant, but under the terms of the extended loan, this has been reduced to \$0.05 per common share and \$0.065 per whole warrant. Tembo, which holds approximately 37% of the Company's issued and outstanding shares, has also been granted certain information and anti-dilution rights in connection with the extension of the Loan.

COMPANY OVERVIEW AND GOING CONCERN

DuSolo Fertilizers Inc. is a publicly listed company trading on the TSX Venture Exchange under the trading symbol "DSF". The Company is engaged in exploration and development of its phosphate fertilizer business in Brazil's Cerrado region, a significant agricultural production area. The Company's assets consist of a number of exploration concessions in Tocantins State (at May 30, 2017 totaling 20,807ha) containing phosphate rock (P₂O₅) deposits, and the Company also owns and operates the Santiago Project, located in Tocantins State, with a crushing / milling / screening plant located near the town of Campos Belos, just south of the Tocantins border in Goias State. The Company produces a Direct Application Natural Fertilizer ("DANF") sold to local farmers and large agricultural companies such as COFCO, Bunge, Jalles Machado and Goiasa. The Company's combined exploration and development projects are known overall as the Bonfim Project.



The Company continues to focus on cost reduction and completed the consolidation of its new management and technical team in the Belo Horizonte office. As at 31st March 2017, the Company had \$242,073 in cash as it continues to work on the development of its Bonfim Project in Brazil. The Company is currently completing a financing of \$3 million and the proceeds will include expenditure on the following items:

- Acid Granulation PEA including process design testwork, market studies and agronomic testing.
- Process plant relocation trade-off study, to eliminate significant transport costs between the Santiago DANF deposit and the Campos Belos Plant.
- Additional product development for granulated DANF, including process design and agronomic efficiency trials.
- Preparation of various applications for permanent environmental and mining permits.
- Market development and expansion of sales team.

It is expected that the above work will cost approximately \$750,000 during calendar 2017.

Additionally, the financing will be used for:

- Property payments of \$360,000.
- Exploration Costs of approximately \$700,000 including exploration and expansion of the Amaury concession and existing resource, exploration at the Santiago DANF Project and the Bonfim concession.
- The balance of funding will be used to increase working capital as the Company's production increases, restructuring one-off payments as the Company completes its re-organization and to fund general corporate and administration costs.

The Company believes the continued growth of Brazil's agricultural sector supports the country's strong increase in demand for fertilizers and the Company's business plan to focus on developing and producing phosphate and fertilizer products for the Brazilian market. The Company's strategic objective is to become a profitable producer in Brazilian phosphate fertilizer. DuSolo has identified and acquired various concession areas possessing the potential to host significant phosphate deposits. By developing and commercializing phosphate-based fertilizers in strategic agricultural locations in Brazil, DuSolo's objective is to be well positioned to capitalize on the needs of a growing industry and create value for its shareholders.

The Company is currently operating in a deficit working capital position. During the six-month period ended 31st March 2017, the Company extended the payment terms of the convertible debenture to December 2017. In addition, the Company is currently working to amend its payment terms on the acquisition payable. The Company has been successful in managing its cash position and delaying or renegotiating payment terms for various accounts payable, however the Company will need to raise additional finance to continue with its objectives over the next 12 months. Further, additional finances will be required to execute on longer-term plans associated with the Bonfim Project. The Company is using its best efforts to achieve its business plans by examining various financing alternatives, including raising additional equity financing, estimating future exercises of options and warrants, and considering



the cash likely to be generated from future sales, the Company requires additional financing for use in operations of its Bonfim Project. Although the Company has been successful at raising capital in the past, there can be no assurance that we will be able to do so on terms that are acceptable to the Company, if at all. Accordingly, there are material risks and uncertainties that cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements of the Company do not reflect adjustments that would be necessary if the going concern assumption is not appropriate. If the going concern assumption is not appropriate for the financial statements of the Company, adjustments would be necessary to the carrying values of assets and liabilities, and the reported expenses and the balance sheet classifications used. Such adjustments could be material.

OPERATIONS

Santiago DANF Project

The Company completed delivery of all previously stockpiled phosphate material at the Campos Belos plant in October 2016, and given existing sales contracts and customer demand, re-started extraction operations at the Santiago Project. This material provided DANF for customer deliveries in Q1 and Q2 2017 and is also being stockpiled to provide deliveries through to late-2017. The Company is not basing its production decision on a feasibility study of mineral reserves demonstrating economic and technical viability, as a result there is increased uncertainty and economic and technical risks of failure associated with its production decision. The Company has recently finalized the first of two DANF PEAs – please see below.

DANF PEA HIGHLIGHTS

- Indicated Resources of 1.16Mt at 8.23% P2O5, including 0.29Mt at 14.78% P2O5
- Inferred Resources of 2.70Mt at 8.58% P2O5, including 0.82Mt at 14.72% P2O5
- Life of Mine (“LOM”) 12.5 years
- LOM Production of 543Kt of 12% DANF and 635Kt of 15% DANF
- Post-tax NPV (10%) of US\$13.0m
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EXPLORATION POTENTIAL

Mineralization at Santiago remains open along the NW-SE trend, with a number of samples of outcropping phosphorite grading between 7.5% to 23.3% P2O5. The potential area is some 3 times the size of the current area considered in this DANF PEA and GE21 estimated an exploratory potential of 5 million tonnes to 14 million tonnes with the P2O5 grade varying between 4% and 18%. The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the target being delineated as a Mineral Resource in the future



Resource	Type	Tonnes (Mt)	P ₂ O ₅ %	CaO%	MgO%	SiO ₂ %	Al ₂ O ₃ %	LOI%
Indicated	HG*	0.29	14.78	20.49	1.02	41.53	8.44	4.08
	LG*	0.87	6.08	7.92	1.22	58.79	9.96	3.90
Total Indicated		1.16	8.23	11.03	1.17	54.52	9.59	3.94
Inferred	HG*	0.82	14.72	20.92	0.97	42.62	7.95	4.22
	LG*	1.88	5.89	7.83	1.48	58.39	10.73	4.43
Total Inferred		2.70	8.58	11.82	1.32	53.59	9.88	4.37
<ul style="list-style-type: none"> • High Grade Mineralization (HG): P₂O₅ ≥ 10%, Low Grade Mineralization (LG): P₂O₅ ≥ 3% and < 10 % • Mineral Resources are based on dry tonnes. 								

MINERAL PROCESSING & METALLURGICAL TESTING

The material is placed in the run-of-mine (“ROM”) patio area, stockpiled and blended in such a way so as to guarantee a constant feed grade for the beneficiation process. The processing route consists of crushing, screening and grinding.

All of the material that is obtained from mining is transformed into the final product, which generates products that have greater or lesser value, depending on the phosphate concentration. Therefore, tailings are not produced during ore processing, and the recovery of material during the process is 100%.

For internal quality control purposes, the Company maintains its own laboratory, with equipment that serves to analyze certain characteristics of the product such as particle size, comminution, sample preparation and a spectrophotometer for determining the concentration of P₂O₅

Material		Mass wet basis (Kt) ¹	P ₂ O ₅ (%)
Mining products	Type		
	P ₂ O ₅ 12%	543	11.90
	P ₂ O ₅ 15%	635	15.24
Total		1,178	13.70
Waste Rock		865	n/a
Material Stockpiled for Potential Future Beneficiation		1,080	7.15

Strip Ratio²	1.56
Strip Ratio³	0.37

¹Wet tonnes contain 12% moisture, both as ROM and as product;

²Considers the material stockpiled for Potential Future Beneficiation as waste rock;

³Considers the material stockpiled for Potential Future Beneficiation as product;



Note that the DANF PEA is preliminary in nature as it includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Ore Reserves. Mineral Resources that are not Ore Reserves do not have demonstrated economic viability, and as such there is no certainty that the preliminary assessment and economics will be realized.

CAPITAL & OPERATING COSTS

As the Santiago DANF Project and the Campos Belos plant are already extracting and processing phosphate rock, there is no additional capital requirement for the Project. Sustaining capital over the LOM is minimal and included in the maintenance costs. The Company estimates the existing capital equipment (primary crusher, hammer mills) have a capacity of c.280,000 tonnes per annum and the projected DANF PEA production of 100,000 tonnes per annum is approximately 35% of the actual installed capacity, resulting in reduced operating hours and general wear. Mobile equipment such as trucks, water trucks and front-end loader and excavator are all supplied on a contract basis. The Company maintains insurance for its assets which includes the Campos Belos Plant.

Operating costs are based on actual costs incurred by the Company, using the 2016 actual mining and processing costs. Fixed costs have been adjusted for the increase to 100,000 tonnes per annum .

Table 3			
Operating Costs			
Item		Cost	Unit
Mine	Ore	2.88	US \$/t ROM
	Waste Rock	0.97	
Transport & Road Maintenance		6.17	
Plant		5.11	
G&A		3.34	
Total		18.47	

A trade-off study to assess the impact of relocating the Campos Belos Plant to the Santiago Project and significantly reducing transport costs is currently being prepared.

Taxes are included in the DANF PEA cashflow analysis as follows:

- Royalties - 3.0% of revenue
- Taxes - 29.8% of EBIT

The Company has had significant tax losses available to be applied to future income in Brazil, which have not been included in the DANF PEA analysis.

The Company is in the process of preparing a further Technical Report with its independent technical consultant GE21 Consultoria Mineral based in Belo Horizonte for the production of an Acid Granulated Phosphate Fertilizer (the “AGPF PEA”) combining 15% Phosphate DANF with Sulphuric Acid to improve the agronomic performance of the DANF. The intent of this granulated product is to widen the market available to the Company, and achieve higher selling prices due to improved solubility and



agronomic performance. This report is targeted for completion by late-2017.

Permitting

The Company is currently permitted to extract material from the Santiago Project by a Guia de Utilization (“GUIA”) issued by the DNPM, and an Environmental License issued by Naturatins, the Tocantins State Environmental Agency. GUIAs are issued under the terms of the exploration concessions, and are replaced by the life of mine license known as a Portaria de Lavra, issued by the DNPM. The GUIAs are re-issued on an annual basis and are valid until after completion of exploration activities and the issuance of the Portaria de Lavra. A life of mine Environmental License is also required, issued by Naturatins.

The Company expects to renew its GUIA to permit the extraction of 100,000 tonnes per annum in or before June 2017, and its current Environmental License is valid until August 2018. Having completed the DANF PEA, the Company expects to submit its application for a Portaria de Lavra in mid 2017, and expects to receive approval during the 2017 fiscal year. In a parallel process the Company will apply for its life of mine Environmental License from Naturatins.

As the Company’s assessment of an acid granulated product and then a high-grade fertilizer progress, additional applications will be required to obtain amendments to the Company’s existing licenses. As with any such permitting process it is subject to interaction with State and Federal authorities and there can be no guarantee that the Company will be able to acquire such licenses.

New Product Development

Brazil remains a substantial agricultural market and imports significant quantities of fertilizer including phosphate-based products. The Company is working with Agroconsult, the leading Brazilian consultancy for agriculture and fertilizers, to determine market size potential and pricing ranges for various products to be used in the AGPF PEA for the acid granulated product. In addition, Agroconsult has prepared a study of the market potential – size and price – for the Company’s 12% P₂O₅ and 15% P₂O₅ existing products, to be included in the DANF PEA.

Two potential products include the granulation of higher-grade material (approximately 15% P₂O₅) with sulphuric acid to improve the agronomic performance, and beneficiation of medium grade material (between 6%-8% P₂O₅) to produce products such as Single Super Phosphate (“SSP”).

Exploration

Exploration work continued at the Company’s concessions, with field mapping, auger drilling and sampling. The Amaury concession is expected to be drilled in the course of 2017, targeting expansion of the existing resources with similar material grading between 6%-8% P₂O₅. Drilling will include augering, diamond core and reverse circulation holes.

Assuming successful exploration results and a positive increase in the resources which are the subject of the Company’s existing resource estimate, the Company expects to assess the potential for the production of a high grade phosphate fertilizer, similar to SSP, utilizing the medium grade (6-8% Phosphate) material at the Company’s concessions.



At the date of this MD&A, the Company now holds 20,807 hectares, reduced from 54,057 hectares in the Bonfim Project area in 2016. This rationalization focuses the Company’s efforts to the high-grade Santiago and Bomfim concessions and the medium grade exploration target at Amaury, reducing logistics and exploration costs and maintaining a significant land package.

Bonfim Initial Technical Report (“NI 43-101” or “the Report”)

The Company filed the Report for the Bonfim Project titled “Bonfim Agro-mineral Phosphate Project, Technical Report and Initial Resource Estimate, Tocantins and Goiás States, Brazil” on the 22nd January 2014. The report was dated and effective as of 21st December 2013. The Report was prepared by John Harrop PGeo, FGS, of Coast Mountain Geological Ltd, a qualified person and independent of the Company under NI 43-101 with the Initial Resource Estimate portion authored by Mr. Porfirio Cabaleiro Rodriguez, an Associate Consultant, and Mr. Fábio Valério Câmara Xavier of Coffey Consultoria e Serviços Ltda. The Report was prepared in accordance with Standards of Disclosure for Mineral Projects NI 43-101 and is filed under the Company’s profile on SEDAR at <http://www.sedar.com>.

The Initial Mineral Resource Estimate from portions of three targets (Amaury+Bonfim Hill-PZE+Santiago) using a 3% Cut Off Grade (“COG”):

TOTAL RESOURCES 3% P₂O₅ COG (AMAURY + BONFIM HILL-PZE + SANTIAGO)		
Resources	Tonnage (Kt)	Average grade P₂O₅ (%)
Measured and Indicated	462.6	11.88
Inferred	18,270.3	6.32

The Initial Resource Estimate from portions of three targets (Amaury+Bonfim Hill-PZE+Santiago) using an 8% COG:

TOTAL RESOURCES 8% P₂O₅ COG (AMAURY + BONFIM HILL-PZE + SANTIAGO)		
Resources	Tonnage (kt)	Average grade P₂O₅ (%)
Measured and Indicated	316.5	15.09
Inferred	4,101.9	14.42



Results of Operations – For The Three Month Period Ended 31st March 2017 Compared to The Three Month Period Ended 31st March 2017

<i>Three month period ended March 31,</i>	2017	2016
Revenue	356,989	211,769
Cost of operation	(278,853)	(222,432)
Depreciation & depletion	(738)	(11,938)
Profit margin	77,398	(22,601)
Accounting	80,133	10,544
Consulting fees	50,934	33,751
Depreciation – corporate	27,523	2,724
Exploration expense	1,442	228
Insurance	15,109	(64,978)
Legal fees	52,498	221,866
Management fees	14,643	10,885
General and administration (1)	476,549	360,172
Selling	9,916	67,142
Share-based compensation	16,974	200
Travel	16,955	41,803
	762,676	919,971
Loss before other items	(685,278)	(706,938)
Finance expense	(203,608)	(166,300)
Gain on reversal of accounts payable	31,000	-
Impairment of exploration and evaluation assets	(75,504)	-
Foreign exchange	21,587	-
Net loss after tax	(911,803)	(873,238)
Other comprehensive gain (loss)	42,704	(292,995)
Net loss and comprehensive loss	(869,099)	(1,166,233)
Basic/Diluted loss per share	(0.00)	(0.01)
Total assets	5,907,369	4,726,917

(1) General and administration expense includes – conference, lease, office and miscellaneous, other expenses, rent, salaries, and shareholder communication expenses.



Production

For the three and six month periods ended 31st March 2017, DuSolo produced 6,234 and 17,883 tonnes (31st March 2016 – 1,414, and 2,350 tonnes) of DANF product of varying grades respectively.

Revenue

For the three and six month periods ended 31st March 2017, DuSolo sold 5,733 and 18,738 tonnes (31st March 2016 – 2,376 and 12,945 tonnes) of DANF products of varying grades respectively. This resulted in an average selling price for the three and six month periods of \$61.30 and \$57.91 (31st March 2016 - \$89.10 and \$91.24) respectively. The change of price for the periods ended 31 March 2017 as compared to the periods ended 31 March 2016 is a primarily of result of a strengthening of the Brazilian Real against the Canadian Dollar and variance in the mix of sales between 12% and 15% grade DANF.

During the three-month period ended 31st March 2017, revenue was \$356,989 compared to \$211,769 for the period ended 31st March 2016. The revenue difference is primarily related to the increase in sales and timing of sales and receipt of payment in the two periods. The Company resumed extraction at Santiago in mid-October 2016, and completed extraction of phosphate rock at the end of January 2017. It is expected that mining will resume in the second half of 2017. The Santiago DANF Project will be producing a higher proportion of its 15% DANF product to achieve a higher average grade product mix and revenues.

During the six-month period ended 31st March 2017, revenue was \$1,085,254 compared to \$1,181,066 for the period ended 31st March 2016. The change can be explained by a decrease in average sales price as indicated above.

Cost of Sales

Cost of sales for the three-month period ended 31st March 2017 was \$278,853 compared to \$222,432 for the period ended 31st March 2016. The increase is a result of personnel and operating changes including the mining of a significant Run-of-Mine (“ROM”) stockpile to supply the Campos Belos Plant during the first 6 months of calendar 2017. Moving forward, the Company will focus on the optimization of production costs, matching the timing of mining and processing to meet sales demand and a trade-off study to re-locate the plant to the Santiago deposit, significantly reducing ROM transport costs.

Cost of sales for the six-month period ended 31st March 2017 was \$551,110 compared to \$675,561 for the period ended 31st March 2016. Overall, the Company has shown a decrease in the average cost per tonne sold to \$29.41 during the six-month period ended 31st March 2017 from \$52.19 during the six-month period ended March 31, 2016 as a result of cost reduction efforts by management.



Expenses & Other items – 3 month period

During the three-month period ended 31st March 2017, expenses were \$762,676 compared to \$684,337 for the period ended 31st March 2016. The changes in expenses were largely due to:

- accounting fees of \$80,133 for the three-month period ended 31st March 2017 compared to \$10,544 for the period ended 31st March 2016 increased due to an increase in corporate administrative and accounting work due to the change in auditor, restructuring of the Brazilian administrative team, and late filing of the financial statements for the year ended 30th September 2016;
- consulting fees of \$50,934 for the three-month period ended 31st March 2017 compared to \$33,751 for the period ended 31st March 2016 increased due to additional consulting services in corporate management, project consulting, product development, market studies and technical reports;
- office and miscellaneous expense of \$240,117 for the three-month period ended 31st March 2017 compared to \$129,717 for the period ended 31st March 2016 increased due to additional Brazilian administrative costs.
- insurance expense of \$15,109 for the three-month period ended 31st March 2017 compared to a recovery of \$64,978 for the period ended 31st March 2016 as a result of insurance recoveries received during the period ended 31st March 2016.
- legal fees of \$52,498 for the three-month period ended 31st March 2017 compared to \$221,866 for the period ended 31st March 2016 as the Company efficiently resolved numerous legal activities in Brazil and Canada and cost savings achieved in changing counsel.
- salaries of \$174,840 for the three-month period ended 31st March 2017 compared to \$205,175 for the period ended 31st March 2016 as a result of restructuring of management;
- selling expenses of \$9,916 for the three-month period ended 31st March 2017 compared to \$67,142 for the period ended 31st March 2016 decreased due to changes in sales commission structure, improved efficiency and economy of scale with our large customers.
- share-based compensation of \$16,974 for the three-month period ended 31st March 2017 compared to \$200 for the the period ended 31st March 2016 increased due to a stock option issuance during the period.
- travel of \$16,955 for the three-month period ended 31st March 2017 compared to \$41,803 for the period ended 31st March 2016 as a result of reduced travel by management and employees;
- finance expense of \$203,608 for the three-month period ended 31st March 2017 compared to \$166,300 for the period ended 31st March 2016 was considered comparable.
- other comprehensive income and loss will fluctuate due to the fluctuation of the Brazilian Reals compared to the Canadian Dollar.



Expenses & Other items – 6 month period

During the six-month period ended 31st March 2017, expenses were \$1,744,610 compared to \$1,690,153 for the period ended 31st March 2016. The changes in expenses were largely due to:

- accounting fees of \$221,369 for the six-month period ended 31st March 2017 compared to \$89,246 for the period ended 31st March 2016 increased due to an increase in corporate administrative and accounting work due to the change in auditor, restructuring of the Brazilian administrative team, and late filing of the financial statements for the year ended 30th September 2016;
- consulting fees of \$163,310 for the six-month period ended 31st March 2017 compared to \$94,877 for the period ended 31st March 2016 increased due to additional consulting services in corporate management, project consulting, product development, market studies, technical reports and geological studies;
- office and miscellaneous expense of \$512,310 for the six-month period ended 31st March 2017 compared to \$167,422 for the period ended 31st March 2017 increased due to mining, administration and severance payments related to employee termination costs;
- insurance expense of \$36,417 for the six-month period ended 31st March 2017 compared to of \$25,355 for the period ended 31st March 2016 is considered comparable;
- legal fees of \$56,850 for the six-month period ended 31st March 2017 compared to \$221,866 for the period ended 31st March 2016 as the Company efficiently resolved numerous legal activities in Brazil and Canada and cost savings achieved in changing counsel, including less restructuring in the current period;
- salaries of \$418,126 for the six-month period ended 31st March 2017 compared to \$297,548 for the period ended 31st March 2016 due to changes in management structure as a result of overlap in hand-over periods during the termination of the previous management;
- selling expenses of \$75,188 for the six-month period ended 31st March 2017 compared to \$405,532 for the period ended 31st March 2016 decreased due to changes in sales commission structure, improved efficiency and economy of scale with our large customers.
- share-based compensation of \$35,948 for the six-month period ended 31st March 2017 compared to \$86,393 for the period ended 31st March 2016 decreased due to a reduction in stock option issuance during the period.
- travel of \$92,927 for the six-month period ended 31st March 2017 compared to \$78,509 for the period ended 31st March 2016 is regarded as comparable;
- finance expense of \$237,130 for the six-month period ended 31st March 2017 compared to \$481,565 for the period ended 31st March 2016 decreased due to no interest payments made on loan payable.



- other comprehensive income and loss will fluctuate due to the fluctuation of the Brazilian Reals compared to the Canadian Dollar.

Cash Flow

	Six months ended March 31,	
	2017	2016
Cash from operating activities	(1,364,867)	(1,977,725)
Cash from investing activities	(681,882)	(12,023)
Cash from financing activities	(10,178)	517,576
Net change in cash	(2,056,926)	(1,471,872)
Cash balance	242,073	268,655

Operating Activities

Cash outflow from operating activities was \$1,364,866 for the six-month period ended 31st March 2017 compared to \$1,977,725 for the period ended 31st March 2016. This was mainly driven by various cost cutting initiatives and improved efficiency in operations.

Investing Activities

Cash outflow from investing activities was \$681,882 for the six-month period ended 31st March 2017 compared to \$12,023 for the period ended 31st March 2016. The Company made investment in exploration and evaluation assets and payments towards the acquisition payable for the assets. Work included further exploration of the Company's concessions, geological mapping and sampling of the Santiago operations, auger sampling to confirm geological interpretation and preparation of the latest Resource Estimate.

Financing Activities

Cash inflow from financing activities was outflow of \$10,178 for the six-month period ended 31st March 2017 compared to inflow of \$517,576 for the period ended 31st March 2016. The Company had no financing activities other than making payment on its lease obligation. The 31st March 2016 period end balance included a payment of loan payable of \$197,108, and proceeds from convertible debenture of \$750,000.



Selected Quarterly Financial Information

The following is a summary of the results from the eight previously completed financial quarters:

	F2017		F2016				F2015	
	Q2 2017 \$	Q1 2017 \$	Q4 2016 \$	Q3 2016 \$	Q2 2016 \$	Q1 2016 \$	Q4 2015 \$	Q3 2015 \$
Revenues	356,989	728,265	895,096	308,243	211,769	969,297	777,192	365,528
Net loss	(911,803)	(629,421)	(1,647,765)	(582,807)	(873,238)	(586,712)	(3,264,011)	(632,807)
Assets	5,907,369	6,336,451	6,915,278	7,789,218	4,726,918	5,462,355	6,933,557	8,152,415
Loss per share (basic and diluted)	(0.00)	(0.00)	(0.02)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)

Three months ended 31st March 2017 compared to previous quarters in fiscal 2016 and 2015

Revenue fluctuated between the quarters due to timing of the sales contracts and the cyclical nature of the agricultural businesses of customers, driven largely by the crop cycles and wet / dry season in differing parts of Brazil.

Net loss was consistent with the average and the comparable period.

Assets were lower than all of its historic quarters due to historic impairment on inventory, exploration and evaluation assets and general operational expenses.

Financial Position, Liquidity and Capital Resources

The Company has experienced recurring operating losses and has accumulated an operating deficit of \$29,278,731 as at 31st March 2017 (September 30, 2016 - \$27,737,507) and shareholders' equity of \$1,468,469 as of 31st March 2017 (September 30, 2016 - \$2,923,427). As at 31st March 2017, the Company had total assets of \$5,907,369 compared to \$6,915,278 in total assets as of 30th September 2016. This decrease was primarily due to cash used in operating and investing activities. Working capital as at 31st March 2017 was in a deficit of \$2,842,468 compared to deficit of \$800,846 as at 30th September 2016.

During the period ended 31st March 2017, the Company extended the payment terms of the convertible debenture to December 2017. In addition, the Company is currently working to amend its payment terms on the acquisition payable. The Company has been successful in managing its cash position and delaying or renegotiating payment terms for various accounts payable, however the Company will need to raise additional finance to continue with its objectives over the next 12 months. Further, additional finances will be required to execute on longer-term plans associated with the Bonfim Project. The Company is not aware of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the



foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs.

Contractual Commitments

The Company has no material contractual commitments as at 31st March 2017, except for the following item:

Acquisition Payable

At September 2013, the Company owned a 75% interest in P-Tec which owned 100% interest in the Bonfim property. On the 26th August 2014, the Company purchased all of the shares of P-Tec held by the minority shareholder at a cost of R\$5,000,000 to acquire 100% of P-Tec.

On the 1st December 2015, the Company entered into an agreement to amend the purchase price payment schedule. The outstanding purchase price is to be paid according to the amended payment schedule below:

		R\$
Fiscal	2016	515,000 (paid)
	2017	3,420,000 (partially paid)
		3,935,000

On 27th January 2017 the Company paid R\$600,000 to Quantum pursuant to the liability, bringing the remaining liability owed to Quantum to R\$2.2 million. The Company and Quantum entered into the Second Amendment to the Termination Agreement and Purchase Rights, whereby the balance owing was increased from R\$2.2 million to R\$2.42 million, which would be paid in three equal instalments in April, May and June 2017. Subsequently, on May 3, 2017 the Company announced that it has negotiated a re-structured payments schedule, with payments commencing in May 2017 and ending in December 2019. An amendment outlining the changes has been executed and the Company and Quantum are working on detailed documentation. The payment re-structure is a beneficial realignment of payments and the Company’s projected growth and revenues over the period to December 2019.

Convertible Debenture

On the 1st October 2015, the Company closed a convertible debenture financing, issuing unsecured convertible debentures of \$750,000. The debenture holder has the right to convert the principal amount together with all interest accrued and establishment fee into common shares and warrants of the Company up to the maturity date of 30th September 2016 (the “Maturity Date”) at a conversion price of \$0.10 per unit. Each unit consists of one common share and one warrant. The debentures were subject to a one time establishment fee of 5% and bear interest at 10% per annum, payable annually in arrears from the date of issue to the Maturity Date.

On the 7th December 2016, the Company and the Lender of the convertible debenture entered into an Amendment Agreement of the convertible debenture. Under the terms of the Amendment. The revised loan principal was \$876,267. The loan bears establishment fee of 5% and annual interest rate of 10% and



matures on the 6th December 2017. The Lender has the right to convert full outstanding balance to a unit for \$0.05 per unit. Each unit includes one common share and one half of share purchase warrant at exercise price of \$0.065.

Escrow shares

As of 31st March 2017 and date of this report, there were no common share held in escrow.

Share Capital

Common shares:

At 31st March 2017 and the date of this report, the Company had unlimited authorized common shares without par value and an aggregate of 242,144,579 common shares were issued and outstanding.

Share Purchase Warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the Company’s issued and outstanding warrants at 31st March 2017 and date of this report was as follows:

Expiry date	Number of Warrants	Exercise Price
20 th November 2017	1,750,364	\$0.04
28 th September 2018	12,203,935	\$0.15
28 th September 2018	1,090,600	\$0.10
Balance, 31 st March 2017	15,044,899	



Stock Options:

Stock option activities for the period ended 31st March 2017 and the date of this report was as follows:

	Number of stock options	Weighted average exercise price \$
Balance, 30 th September 2016	7,690,000	0.12
Granted	1,400,000	0.05
Forfeited	(495,000)	0.08
Balance, 31 st December 2016	8,595,000	0.12

Off Balance Sheet Arrangements

The Company is not committed to any off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions that the Company has not previously disclosed.

Subsequent Events

There were no subsequent events for the period ended March 31, 2017.

Critical Accounting Estimates and Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

Reference should be made to the Company’s significant accounting policies contained in the Company’s consolidated financial statements for the year ended 30th September 2016. These accounting policies can have a significant impact on the financial performance and financial position of the Company.



Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a standard cost basis and includes all costs incurred, based on normal production capacity, in bringing each product to its present location and condition. Cost of inventories comprises direct labour, materials and contractor expenses, depletion and depreciation on mining properties, plant and equipment, and an allocation of mine site costs.

Net realizable value ("NRV") of mineralized material is determined with reference to relevant market prices less applicable variable selling expenses and costs to bring the inventory into its saleable form. NRV of materials and supplies is generally calculated by reference to salvage or scrap values when it is determined that the supplies are obsolete. NRV provisions are recorded within cost of sales in the consolidated statement of operations, and are reversed to reflect subsequent recoveries where the inventory is still on hand.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs to sell can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

Revenues in pre-production stage are recognized on the income statement if they do not directly relate to development of the mine. Otherwise, pre-production revenues are recorded as an offset to capitalized development costs.

Prior to the date technical feasibility and commercial viability of a mineral property is demonstrated, concentrate sales incidental to the exploration of mineral properties are recorded net of production costs as a reduction of capitalized exploration and evaluation costs.

Stock-based Payment Transactions

The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

The fair value of share purchase options granted is determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of share purchase options, the fair value of the Company's shares and the risk-free interest rate. For employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instrument are granted if they are fully vested and non-forfeitable. The estimated fair value of awards of share purchase options is recognized in profit or loss over the vesting period, with offsetting amounts to equity settled share-based payments reserve. If the share purchase options are granted for past services, they are recognized in profit or loss immediately. If the share purchase options are forfeited prior to vesting, no amounts are recognized in profit or loss. If share purchase options are



exercised then the fair value of the options is reclassified from equity settled share-based payment reserve to share capital.

At each financial position reporting date, the amount recognized as profit or loss is adjusted to reflect the actual number of share purchase options that are expected to vest.

Exploration and Evaluation Asset

Exploration and evaluation (“E&E”) assets include initial acquisition costs, direct exploration and development costs and related option payments, which are recorded when paid. Mineral property acquisition costs include cash and fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements.

Exploration and development costs are capitalized on specific properties until properties are sold, are abandoned, or are brought into production, at which time costs are amortized on a unit of production basis over economically recoverable reserves. Option payments and cost recoveries are credited against resource property costs when received. No gain or loss on disposition of a partial interest in a property is recorded until all carrying costs of the interest have been offset by proceeds of sale or option payments are received.

Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions, and when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.



The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that assets.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets, other than E&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to property and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets, except E&E assets, are group together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the greater of its value-in-use as its fair value less costs to sell.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value-in-use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. Fair value less costs to sell is generally estimated by reference to purchase and sale transactions involving assets similar in nature to the assets being considered.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis.

In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there



has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss has been recognized.

Financial Instruments

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors

Fair Values

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank loan, obligation under finance lease, and loan payable. The carrying amounts approximate their fair values because of the short-term nature of these instruments.

The following schedule outlines the Company's financial assets and liabilities as at 31st March 2017 measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Cash and cash equivalents	242,073	-	-	242,073

As at 30th September 2016, the Company's financial instruments measured at fair value were as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Cash and cash equivalents	2,310,983	-	-	2,310,983

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.



Financial Instrument Risk Exposure

Management approves and monitors the risk management processes.

a) Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivable. Credit risk from accounts receivable encompasses the default risk of its customers. The Company manages its exposure to credit risk by only working with reputable companies and by performing on-going credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed appropriate. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

As at 31st March 2016, the Company has accounts receivable of \$162,655 (30th September 2016 - \$486,526).

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

The Company manages liquidity risk through its management of capital as outlined in Note 19 to the consolidated financial statements. The Company had cash and cash equivalents at 31st March 2017 in the amount of \$242,073 (30th September 2016 - \$2,310,983) in order to meet short-term business requirements. At 31st March 2016, the Company had current liabilities of \$4,404,565 (30th September 2016 - \$3,961,195). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms. The current portion of the acquisition payable, the finance lease obligation, and the bank loan are due within 12 months of the consolidated statement of financial position date.

c) Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market prices of certain minerals.



Financial Instrument Risk Exposure (continued)

i) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As the Company's convertible note is at a fixed rate, it is not exposed to interest rate risk at this time.

ii) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates.

The carrying values of the financial assets and liabilities denominated in Brazilian real are as follows:

The fair values of the financial assets and liabilities denominated in Brazilian real are as follows:

	31 st March 2017 R\$	30 th September 2016 R\$
Financial Assets		
Cash	92,135	157,581
Accounts Receivable	423,292	1,064,410
Financial Liabilities		
Accounts payable	4,436,986	2,892,659
Acquisition payable	2,420,000	3,200,000
Bank loan	-	-
Obligation under finance lease	31,449	58,677

As at 31st March 2017, a fluctuation of the Brazilian Real against the Canadian dollar of 10% would result in a change of \$269,387 (30th September 2016 - \$198,173) in the Company's net comprehensive loss.

Capital Management

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern; to maintain optimal capital structure, while ensuring the Company's strategic objectives are met and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, stock options, contributed surplus and deficit.



The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, selling and/or acquiring assets, and controlling its capital expenditures program.

Management reviews its capital management approach on an ongoing basis. During the six-month ended 31st March 2017, there has been no change in the Company's management of capital.

Risks Factors and Uncertainties

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for Mineral Resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. A number of the risks and uncertainties are discussed below:

History of losses: The Company has historically incurred losses as evidenced by its financial statements for the year ended September 30, 2016 and 2015. The Company has financed its operations principally through the sale of its equity securities. The Company has earned a contribution towards its costs of operations from the intermittent sale of DANF Product. To date these revenue contributions have been insufficient to allow the Company to remain solvent without referral to financial markets.

Joint ventures and other partnerships: The Company may seek joint venture partners to provide funding for further work on any or all of its other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

1. the difficulty of identifying appropriate joint venture partners or opportunities;
2. the time the Company's senior management must spend negotiating agreements, and monitoring joint venture activities;
3. the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;
4. potential regulatory issues applicable to the mineral exploration business;
5. the investment of the Company's capital or properties and the loss of control over the return of the Company's capital or assets;
6. the inability of management to capitalize on the growth opportunities presented by joint ventures; and
7. the insolvency of any joint venture partner.

There are no assurances that the Company would be successful in overcoming these risks or any other problems encountered with joint ventures, strategic alliances or related efforts.

Unexpected delays: The Company's minerals business will be subject to the risk of unanticipated delays including permitting its contemplated projects. Such delays may be caused by fluctuations in commodity



prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project.

Potential conflicts of interest: Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which could place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest.

Competition with larger, better capitalized competitors: The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

The Company does not intend to pay dividends: The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future. As a result, an investor's return on investment will be solely determined by his or her ability to sell common shares in the secondary market.

Title Risk: Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Price Risk: The Company is exposed to price risk with respect to commodity and equity prices. 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's property has exposure to predominantly gold and silver. The prices of these metals, especially gold and silver, greatly affect the value of the Company and the potential value of its property and investments.

Financial Markets: The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

Political Risk: Exploration is presently carried out in the Brazil and is currently being reviewed worldwide. This exposes the Company to risks that may not otherwise be experienced if all operations were domestic. Political risks may adversely affect the Company's potential projects and operations. Real



and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and attract joint venture partners, and future mine development opportunities.

Credit Risk: Credit risk is the risk of an unexpected loss of a third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash. The Company's limits its exposure to credit risk by placing its cash with major financial institutions.

Liquidity Risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is invested in bank accounts.

Interest Risk: The Company's bank accounts earn no interest income. The fair value of cash and short term investments approximates its carrying values due to the immediate or short-term maturity of this financial instrument.

Currency Risk: Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

Community Risk: The Company has negotiated with the local communities on its mineral property concessions for access to facilitate the completion of geological studies and exploration work programs. The Company's operations could be significantly disrupted or suspended by activities such as protests or blockades that may be undertaken by such certain groups or individuals within the community.

Environmental Risk: The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

Exploration Risk: The potential quantities and grades disclosed in the discussion of "exploration potential" in the aforementioned drilling targets are conceptual in nature and there has been insufficient exploration to define a mineral resource for the additional "exploration potential" targets disclosed therein. It is uncertain if further exploration will result in this additional "exploration potential" yielding a Mineral Resource. The basis for estimating the target ranges of the additional "exploration potential" is based on block modeling, drilling, detailed mapping, and surface sampling.

Production Risk: The Company did not base its original decision to begin production of DANF on a feasibility study of Ore Reserves demonstrating economic and technical viability. Without a technical report demonstrating economic and technical viability, there was increased uncertainty as to whether DuSolo would be able to economically produce DANF products and as to whether DuSolo would have been confronted with any unforeseen technical impediments. The Company has only recently completed a preliminary economic assessment after having made the initial production and project expansion



decisions.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

On 23rd November 2007, the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. The Company is a Venture Issuer; therefore it files the venture issuer basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at 31st March 2017.



Forward-Looking Statements

Certain of the statements made and information contained herein are “forward-looking information” within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company’s expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses; commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company’s Business in the Company’s prospectus that can be found on the SEDAR website and in each MD&A. Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of phosphate and fertilizers, that the Company can access financing, appropriate equipment and sufficient labor and that the political environment within Canada and Brazil will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Additional Information

Additional information about the Company can be found on www.sedar.com