FENGRO INDUSTRIES

CONSOLIDATED FINANCIAL STATEMENTS

(Presented in Canadian Dollars)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fengro Industries Corp.

We have audited the accompanying consolidated financial statements of Fengro Industries Corp., which comprise the consolidated statements of financial position as at September 30, 2018, and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Fengro Industries Corp. as at September 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Fengro Industries Corp. to continue as a going concern.

Other Matters

The consolidated financial statements of Fengro Industries Corp. for the year ended September 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on January 25, 2018.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

December 21, 2018

FENGRO INDUSTRIES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)

AS AT		September 30, 2018		September 30, 2017
ASSETS				
Current				
Cash	$	559,448	$	275,119
Current portion of accounts receivable (Note 5)		329,045		619,704
Goods and services tax receivable		6,962		43,773
Inventory (Note 6)		113,766		396,503
Prepaid expenses and deposits		61,289		94,449
		1,070,510		1,429,548
Restricted cash (Note 7)		28,750		28,750
Accounts receivable (Note 5)		291,729		-
Property, equipment and mining properties (Note 8)		874,821		1,173,276
Exploration and evaluation assets (Note 9)		2,568,138		2,511,084
Total assets	$	4,833,948	$	5,142,658
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 10)	$	1,616,218	$	2,018,296
Current portion of finance lease obligation (Note 12)		27,570		35,756
Convertible debenture (Note 13)		1,119,122		972,549
Deferred revenue		188,286		33,429
Current portion of acquisition payable (Note 11)		343,930		161,212
		3,295,126		3,221,242
Acquisition payable (Note 11)		147,158		459,113
Asset retirement obligation (Note 14)		20,575		19,450
Finance lease obligation (Note 12)		39,058		73,511
Total liabilities		3,501,917		3,773,316
Shareholders' equity				
Share capital (Note 15)		33,517,917		30,661,004
Equity reserve		4,202,702		3,610,840
Accumulated other comprehensive loss		(1,554,860)		(1,091,670)
Deficit		(34,833,728)		(31,810,832)
Total shareholders' equity		1,332,031		1,369,342
Total liabilities and shareholders' equity	$	4,833,948	$	5,142,658

Nature of business and going concern (Note 1)
Subsequent events (Note 23)

The Board of Directors approved and authorized these financial statements on December 21, 2018 and are signed on its behalf by:

"Duane Lo" Director *"Peter Ruxton"* Director

FENGRO INDUSTRIES CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Presented in Canadian Dollars)

For the years ended September 30,	2018	2017
Revenue	$ 2,299,475	$ 2,901,425
Cost of goods sold	(1,749,569)	(2,218,279)
Depreciation and depletion (Note 8)	(57,206)	(95,361)
	492,700	587,785
Expenses		
Accounting	206,457	407,543
Bad debt expense	9,257	11,479
Conference	953	42,325
Consulting fees	11,406	47,835
Depreciation (Note 8)	53,216	52,449
Director fees (Note 16)	100,000	50,630
Insurance	42,711	78,061
Legal fees	141,462	218,966
Management fees (Note 16)	136,904	96,970
Office and miscellaneous	323,148	352,463
Rent	94,631	76,681
Salaries (Note 16)	854,388	1,256,376
Selling	237,460	285,981
Shareholder communication	104,244	82,567
Share-based compensation (Note 15)	245,039	48,110
Transfer agent & filing fees	25,343	44,190
Travel	202,193	272,234
	2,788,812	3,424,860
Loss before other items	(2,296,112)	(2,837,075)
Other items		
Finance cost (Note 17)	(538,865)	(482,610)
Impairment of exploration and evaluation assets (Note 9)	(44,554)	(566,315)
Loss on foreign exchange	(143,365)	(187,325)
Net loss	(3,022,896)	(4,073,325)
Other comprehensive loss		
Items that may be reclassified subsequent to income or loss		
Currency translation differences of foreign operations	(463,190)	(75,411)
Comprehensive loss	$ (3,486,086)	$ (4,148,736)
Basic and diluted loss per common share	$ (0.08)	$ (0.16)
Weighted average number of shares outstanding – basic and diluted	37,687,858	26,590,566

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

FENGRO INDUSTRIES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Presented in Canadian Dollars)

For the years ended September 30,	2018	2017
CASH FROM OPERATING ACTIVITIES		
Loss for the year	$ (3,022,896)	$ (4,073,325)
Items not affecting cash:		
Finance cost – asset retirement obligation accretion	5,254	(10,749)
Finance cost – convertible debenture accretion	169,838	153,500
Finance cost – gain on modification of acquisition payable	-	(145,289)
Finance cost – accretion of acquisition payable	107,713	129,751
Finance cost – interest on lease	18,818	-
Impairment – exploration and evaluation assets	44,554	566,315
Depreciation and depletion	110,422	147,810
Share-based compensation	245,039	48,110
Bad debt expense	9,257	11,479
Unrealized foreign exchange loss	-	32,864
Gain on write-off of accounts payable and accrued liabilities	-	(44,002)
Changes in non-cash working capital items:		
Accounts receivable	(100,134)	(176,104)
Prepaid expenses and deposits	28,288	50,879
Inventories	241,860	(182,173)
Deferred revenue	183,609	22,249
Accounts payable and accrued liabilities	(106,114)	330,118
Net cash used in operating activities	(2,064,492)	(3,138,567)
CASH FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(622,138)	(715,856)
Transfer from restricted cash	-	14,995
Purchase of equipment	(8,017)	(33,240)
Net cash used in investing activities	(630,155)	(734,101)
CASH FROM FINANCING ACTIVITIES		
Payments on acquisition payable	(128,660)	(647,721)
Proceeds from issuance of shares, net of share issuance costs	3,180,471	2,528,200
Payments made for lease obligation under finance lease	(45,197)	(42,609)
Net cash provided by financing activities	3,006,614	1,837,870
Change in cash during the year	311,967	(2,034,798)
Effect of foreign exchange on cash	(27,638)	(1,066)
Cash, beginning of year	275,119	2,310,983
Cash, end of year	$ 559,448	$ 275,119

See Note 21 for supplemental cash flow information

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

FENGRO INDUSTRIES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Presented in Canadian Dollars)

	Number of shares	Share Capital	Equity reserve	Deficit	Accumulated other comprehensive loss	Shareholders' equity
Balance, September 30, 2016	24,214,460	$ 28,180,320	$ 3,496,873	$ (27,737,507)	$ (1,016,259)	$ 2,923,427
Issuance of common shares for cash, net of costs (Note 15)	8,553,550	2,503,090	-	-	-	2,503,090
Warrants issued to brokers (Note 15)	-	(22,406)	22,406	-	-	-
Share-based compensation (Note 15)	-	-	48,110	-	-	48,110
Reissuance of convertible note (Note 13)	-	-	43,451	-	-	43,451
Net loss for the year	-	-	-	(4,073,325)	-	(4,073,325)
Currency translation differences	-	-	-	-	(75,411)	(75,411)
Balance, September 30, 2017	32,768,010	30,661,004	3,610,840	(31,810,832)	(1,091,670)	1,369,342
Issuance of common shares for cash, net of costs (Note 15)	17,283,975	2,863,397	317,074	-	-	3,180,471
Warrants issued to brokers (Note 15)	-	(6,484)	6,484	-	-	-
Share-based compensation (Note 15)	-	-	245,039	-	-	245,039
Reissuance of convertible note (Note 13)	-	-	23,265	-	-	23,265
Net loss for the year	-	-	-	(3,022,896)	-	(3,022,896)
Currency translation differences	-	-	-	-	(463,190)	(463,190)
Balance, September 30, 2018	50,051,985	$ 33,517,917	$ 4,202,702	$ (34,833,728)	$ (1,554,860)	$ 1,332,031

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

1. NATURE OF BUSINESS AND GOING CONCERN

Fengro Industries Corp. (the "Company") was incorporated on March 11, 2004 under the laws of the Province of British Columbia. The Company is engaged in production of phosphate fertilizers, and acquiring, exploring and evaluating mineral properties in Brazil. The Company's shares are publicly traded on the TSX Venture Exchange under the symbol FGR. The address of the Company's corporate office is Suite 1100, 1111 Melville Street, Vancouver, British Columbia, Canada.

On October 1, 2014, the Company commenced production of Direct Application Natural Fertilizer ("DANF") phosphate rock products on the Santiago claim of the Bonfim Project located in the state of Tocantins, Brazil. The Company has not yet determined whether its other mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for mineral properties is dependent upon the confirmation of economically recoverable reserves, the Company's ability to obtain adequate financing to develop the reserves, and its ability to commence profitable operations in the future.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has a working capital deficiency of $2,224,616 and accumulated losses of $34,833,728. At its current expenditure rate, the Company will not be able to sustain operations for the upcoming fiscal year without raising additional cash. While 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 Campos Belos plant and processing facility to the planned capacity. It is not possible to predict whether future financing efforts will be successful. The Company has never generated positive cash flows from operations and until October 1, 2014 had never generated revenues. All of these factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements were authorized for issue by the Board of Directors on December 21, 2018.

b) Basis of Consolidation and measurement

The consolidated financial statements as at September 30, 2018 include the accounts of the Company and its wholly-owned subsidiaries, DuSolo Mineraco Ltda ("DuSolo Mineraco"), P-Tec Agro Mineracao SPE Ltda ("P-Tec"), Dupar Participacoes Ltda ("Dupar"), and DuSolo Fertilizantes Ltda ("DuSolo Brazil"). Subsequent to the year ended September 30, 2018, Dupar and DuSolo Brazil were fully amalgamated with P-Tec.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. For partly owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. All inter-company balances and transactions have been eliminated upon consolidation.

2. BASIS OF PREPARATION (continued)

b) Basis of consolidation and measurement (continued)

DuSolo Mineraco was incorporated in Brazil on October 1, 2007. P-Tec was incorporated in Brazil on October 11, 2012. DuSolo Brazil was incorporated in Brazil on March 1, 2014. Dupar was incorporated on August 20, 2015.

These consolidated financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for certain financial liabilities as described in these notes. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements as if the policies have always been in effect.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a high degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

c) Functional and presentation currencies

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the Company's Brazilian subsidiaries is the Brazilian Real (R$), which is determined to be the currency of the primary economic environment in which the subsidiaries operate because the revenues and the expenses related to generating those revenues are incurred in Brazilian Reals.

d) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign exchange gains on losses resulting from transactions conducted in currencies other than the functional currency of the operation in which the transaction occurs, are recognised as part of net income or loss. Foreign exchange gains on losses resulting in a functional currency other than the presentation currency are recognized in after comprehensive income or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks and investments in short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

b) Exploration and evaluation assets

Exploration and evaluation ("E&E") assets include initial acquisition costs, direct exploration and development costs and related option payments, which are recorded when paid or accrued and are classified as intangible assets. Mineral property acquisition costs include cash paid to acquire the property and the fair market value of other consideration, including common shares based on the trading prices of the shares issued for the mineral property interests, pursuant to the terms of the related property agreements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Exploration and evaluation assets (continued)

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 or resources. Option payments and cost recoveries are credited against resource property costs when received. An impairment provision is taken for exploration and development costs capitalized on properties which are subsequently abandoned. 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.

General exploration costs incurred prior to obtaining the legal rights to explore mineral properties are expensed as incurred.

Where a project is determined to be technically or commercially viable and a decision has been made to proceed with development with respect to a particular mineral project, the relevant exploration and evaluation asset is tested for impairment and the balance is reclassified as a development asset in property, equipment and mining properties

c) Restoration, rehabilitation and environmental obligations

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized 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. The capitalized costs are charged against profit or loss over the useful life of the related asset through amortization. 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 related to its properties other than Bonfim property as the disturbance of those properties to date is insignificant. The Company has recognized a provision for future restoration costs expected to be incurred in relation to the Bonfim property. See Note 14.

d) Property, equipment and mining properties

Upon demonstrating the technical feasibility and commercial viability of extracting mineral resources, all expenditures incurred to that date for the mine are reclassified to mining properties. Expenditures incurred with respect to a mining property are capitalized when it is probable that additional future economic benefits will flow to the Company. Otherwise, such expenditures are classified as a cost of production. As at September 30, 2018, management estimated remaining useful life of the Bonfim mine at 12 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, equipment and mining properties (continued)

Equipment is recorded at historical cost less accumulated depreciation. The Company provides for depreciation using the straight-line method at rates designed to depreciate the cost of equipment over the estimated useful life. The estimated useful lives are as follows:

Office furniture and equipment	3 to 5 years
Field and processing equipment	10 years
Leasehold improvement	2 years
Computer equipment	5 years
Vehicles under capital leases	5 years

Mining properties are recorded at historical cost less accumulated depreciation. The Company provides for depreciation using the unit of production method.

e) Impairment

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 for financial assets recorded at amortized cost and available-for-sale financial assets if the reversal can be related objectively to an event occurring after the impairment loss was recognized. The reversal is recognized in profit or loss. An impairment loss is not reversed for financial assets recorded at cost.

Non-Financial Assets

The carrying amounts of the Company's non-financial 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, equipment and mining properties and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

For the purpose of impairment testing, assets are grouped 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 ("CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use or its fair value less costs to sell.

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment (continued)

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. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

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 had been recognized.

f) Inventory

Material extracted from the Company's Santiago site is classified as either process material or waste. Process material represents mineralized material that, at the time of extraction, the Company expects to process into a saleable form and sell at a profit, while waste is considered uneconomic to process and its extraction cost is included in direct mining costs. Raw materials are comprised of process material stockpiles. Process material is accumulated in stockpiles that are subsequently processed into DANF products in a saleable form. The Company has inventory of DANF products in saleable form that has not yet been sold. Mine operating supplies represent commodity consumables used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

DANF products and stockpiled mineralized material are valued at the lower of average cost or net realizable value. Cost of inventories comprises direct labor, 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 comprehensive loss and are reversed to reflect subsequent recoveries where the inventory is still on hand.

g) 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. For revenues generated from sales of DANF products, the Company recognizes revenue when the product has either been delivered to the customer or picked up by the customer, and the customer has either paid for the product or, in cases where the Company has extended trade credit, upon the transfer of the risks and rewards of ownership to the customer, when neither continuing managerial involvement nor effective control remains over the goods sold. 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 statement of comprehensive loss if they do not directly relate to development of the mine. Otherwise, pre-production revenues are recorded as an offset to capitalized development costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Revenue recognition (continued)

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

h) Leases

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership to the lessee.

Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation. Finance charges are recognized in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Total payments under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

i) Financial instruments

The Company recognizes financial assets and financial liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets classified as at fair value through profit or loss, are measured at fair value plus transaction costs on initial recognition. Financial assets and liabilities at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument:

Financial assets and liabilities at fair value through profit or loss (“FVTPL”)

Financial assets and liabilities are classified as FVTPL when acquired principally for the purpose of trading, if so designed by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship.

Financial assets and liabilities classified as FVTPL are measured at fair value, with changes recognized in profit or loss.

The Company’s financial assets and liabilities classified as FVTPL do not include derivative instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company’s assets classified as loans and receivables include cash, restricted cash, accounts receivable, and goods and services tax receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Other financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities classified as other financial liabilities include accounts payable and accrued liabilities, acquisition payable, the debt portion of the convertible debenture, and obligations under finance leases.

Other financial liabilities

The effective interest method is a method of calculating the amortized cost of an instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument to the net carrying amount on initial recognition.

j) Income taxes

Income taxes on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

k) Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. Potentially dilutive common shares are excluded from the loss per share calculation where the effect would be anti-dilutive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-based compensation

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 options are measured at the fair value of the goods or services received, unless they cannot be reliably measured in which case their values are determined by the Black-Scholes option pricing model. 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 instruments 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 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 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.

m) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are recognized in profit or loss as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are recognized in profit or loss

n) Recent accounting pronouncements

i. Accounting standards adopted during the year

No new standards were adopted for the year ended September 30, 2018.

ii. New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for the Company's accounting periods beginning after October 1, 2018, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 9 Financial Instruments (revised)

IFRS 9, Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual years beginning on or after January 1, 2018. The Company anticipates that application of this standard will not have a material impact on the results and financial position of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Recent accounting pronouncements (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. IFRS 15 is effective for annual years beginning on or after January 1, 2018. The Company anticipates that application of this standard will not have a material impact on the results and financial position of the Company.

IFRS 16 Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases, as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting these amendments on its financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

i. the inputs in estimating the value of options using the Black-Scholes Model for the purpose of measuring and accounting for share-based compensation expense in profit or loss;
ii. estimating the quantity and grade of the inventory stockpile in finished goods inventory, and the concentration of DANF products in raw materials stockpiles in inventory valuations;
iii. the determination of useful lives of property and equipment and depletion rate for mining properties;
iv. the estimation of the reclamation provision;
v. the interest rate used to estimate the value of the acquisition payable and the debt component of the convertible debenture;
vi. the estimated resources, production rates, yields, and future selling prices for finished product used to estimate future cash flows for the purpose of considering possible impairment in property, equipment and mining properties.

(Presented in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting judgements

The significant judgements made by management include:

i. the recoverability of the carrying value of the E&E assets included in the statements of financial position;
ii. the determination of whether technical feasibility and commercial viability can be demonstrated for mining properties, at which point they are reclassified from E&E assets to property, equipment and mining properties;
iii. recognition and measurement of deferred tax assets;
iv. the determination of the functional currencies of the Company and its operating subsidiaries;
v. the evaluation of the Company's ability to continue as a going concern (Note 1);

5. ACCOUNTS RECEIVABLE

	September 30, 2018	September 30, 2017
Trade receivables	$ 320,556	$ 417,532
Brazilian tax receivable	300,218	202,172
	620,774	619,704
Non-current portion	(291,729)	-
Total	$ 329,045	$ 619,704

6. INVENTORY

	September 30, 2018	September 30, 2017
Finished products	$ 78,564	$ 160,177
Process material stockpiles	35,202	236,326
Total	$ 113,766	$ 396,503

Included in cost of sales for the year ended September 30, 2018 is $1,468,393 in inventory sold (2017 - $1,837,402).

7. RESTRICTED CASH

Restricted cash consists of a term deposit of $28,750 (September 30, 2017 - $28,750) held as a security for corporate credit cards.

(Presented in Canadian Dollars)

8. PROPERTY, EQUIPMENT, AND MINING PROPERTIES

	Leasehold Improvement	Office furniture and equipment	Processing and field equipment	Computer equipment and software	Vehicles under finance lease	Mining properties	Total
Cost							
Balance, September 30, 2016	$ 9,318	$ 68,980	$ 374,920	$ 27,263	$ 162,273	$ 881,400	$ 1,524,154
Current period additions	-	4,251	13,192	13,298	135,370	-	166,111
Reallocation between classes	1,628	-	(11,561)	9,933	-	-	-
Movement in foreign exchange	(379)	(462)	(31,597)	(1,650)	(12,127)	(26,619)	(72,834)
Balance, September 30, 2017	10,567	72,769	344,954	48,844	285,516	854,781	1,617,431
Current period additions	-	-	7,014	1,003	-	-	8,017
Disposals	(2,801)	(59,852)	-	(16,100)	-	-	(78,753)
Movement in foreign exchange	(1,389)	(1,467)	(62,533)	(5,781)	(51,039)	(152,801)	(275,010)
Balance, September 30, 2018	6,377	11,450	289,435	27,966	234,477	701,980	1,271,685
Accumulated Depreciation							
Balance, September 30, 2016	9,318	48,999	83,456	23,116	99,293	36,266	300,448
Depreciation expense	-	5,985	37,564	5,929	40,536	57,796	147,810
Reallocation between classes	1,628	5,837	(13,396)	-	20,085	-	14,154
Movement in foreign exchange	(379)	(2,238)	(4,925)	(1,411)	(5,691)	(3,613)	(18,257)
Balance, September 30, 2017	10,567	58,583	102,699	27,634	154,223	90,449	444,155
Depreciation expense	-	7,810	32,983	6,598	38,808	24,223	110,422
Disposals	(2,801)	(59,852)	-	(16,100)	-	-	(78,753)
Movement in foreign exchange	(1,389)	(323)	(22,450)	(3,242)	(32,383)	(19,173)	(78,960)
Balance, September 30, 2018	6,377	6,218	113,232	14,890	160,648	95,499	396,864
Carrying value, September 30, 2017	$ -	$ 14,186	$ 242,255	$ 21,210	$ 131,293	$ 764,332	$ 1,173,276
Carrying value, September 30, 2018	$ -	$ 5,232	$ 176,203	$ 13,076	$ 73,829	$ 606,481	$ 874,821

(Presented in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS

The schedule below summarizes the carrying costs of acquisition costs and all deferred exploration costs incurred to date for the Company's mineral property interest that the Company is continuing to explore as at September 30, 2018:

		September 30, 2018		September 30, 2017
Balance, opening	$	2,511,084	$	2,441,801
Camp and supplies		2,002		4,028
Drilling		113,583		-
Environmental		3,308		3,689
Geological consulting		118,064		220,701
Governmental fees and licenses		21,617		18,193
Laboratory analysis		18,178		20,042
Salaries		264,336		343,402
Topography		40,893		32,886
Travel		19,176		6,838
Vehicle		20,981		66,077
Current period additions		622,138		715,856
Total exploration and evaluation expenditures		3,133,222		3,157,657
Movement in foreign exchange		(520,530)		(80,258)
Impairment write-down		(44,554)		(566,315)
Balance, closing	$	2,568,138	$	2,511,084

Bonfim Property

During the year ended September 30, 2012, the Company entered into an investment agreement to acquire mineral claims in an area located in the state of Tocantins, Brazil ("Bonfim property" or "Bonfim"). Under the agreement, the Company acquired a 75% interest in P-Tec, which held a 100% interest in Bonfim, through payments of $116,910 (R$250,000). During the year ended September 30, 2014, upon deeming technical feasibility of one of the mineral claims and obtaining regulatory approval from the Brazilian government to commence commercial production, the Company acquired the remaining 25% of P-Tec by entering into a new purchase agreement and recognizing the acquisition payable (Note 11).

During the year ended September 30, 2017, the Company dropped certain concessions deemed to have no exploration potential at the Bonfim Project. The Company wrote-off $566,315 representing the capitalized costs relating to those concessions.

Subsequent to the year ended September 30, 2018, the Company entered into an amending agreement with the vendor, whereby the Company relinquished one concession deemed to have limited further exploration potential in exchange for the settlement of the remaining balance of the acquisition payable (Note 23). During the year ended September 30, 2018, the Company wrote-off $44,554 relating to the excess carrying amount of the subsequently disposed of concession.

(Presented in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILTIES

		September 30, 2018		September 30, 2017
Trade payables	$	475,571	$	612,297
Payroll liabilities		392,016		751,168
Financing and goods and services taxes		748,631		654,831
Total	$	1,616,218	$	2,018,296

11. ACQUISITION PAYABLE

At September 30, 2013, the Company owned a 75% interest in P-Tec which owned a 100% interest in the Bonfim Project. On August 26, 2014, the Company purchased all of the shares of P-Tec held by the minority shareholder, Quantum Fertilizantes Do Tocantins Ltda. (“Quantum”), at a cost of R$5,000,000 to acquire 100% of P-Tec payable over three years. As at September 30, 2016, the Company had made payments of R$2,515,000 and had entered into an amendment deferring the remaining payment and resulting in an increase in the total payable of R$715,000.

During the year ended September 30, 2017, the Company paid R$1,580,000 to Quantum pursuant to the liability and signed two amendments, resulting in an increase in the total payable of R$460,000, bringing the remaining liability owed to Quantum to R$2,080,000. The amendment required monthly instalments to be paid through to December 2019 in accordance with the following schedule:

Fiscal year	R$
2018	470,000
2019	1,022,500
2020	587,500
	2,080,000

The latter amendment resulted in a deemed extinguishment of the previous payable and a reissuance according to the new payment schedule resulting in a gain of $145,289 during the year ended September 30, 2017. The fair value of the amended and restated payable was valued at $827,331 using the discounted cash flow model with an interest rate of 21%. Subsequent to September 30, 2018, the Company settled the remaining balance payable (Note 23).

During the year ended September 30, 2018, the Company made total payments of $128,660 (R$350,000). The movement during the year is as follows:

		September 30, 2018		September 30, 2017
Balance at the beginning of the year	$	620,325	$	1,293,760
Payments		(128,660)		(647,721)
Accretion and interest		107,713		129,751
Gain on extinguishment of instrument		-		(145,289)
Foreign exchange impact		(108,290)		(10,176)
Balance at the end of the year		491,088		620,325
Less: current portion		(343,930)		(161,212)
Non-current portion	$	147,158	$	459,113

(Presented in Canadian Dollars)

12. FINANCE LEASE OBLIGATION

As at September 30, 2018, the Company has financing leases for vehicles. At September 30, 2018, the obligation outstanding was $66,628 (September 30, 2017 - $109,267). During the year ended September 30, 2018, the Company made lease payments of $45,197 (September 30, 2017 – $42,609).

The following schedule summarizes the future minimum lease payments under these finance leases:

Fiscal year		Payment
2019	$	32,498
2020		32,498
2021		10,832
Amount representing future interest		(9,200)
		66,628
Less: current portion		(27,570)
Non-current portion	$	39,058

The following is reconciliation of the changes in the finance lease obligations to financing cash flows:

		September 30, 2018		September 30, 2017
Balance, beginning of the year	$	109,267	$	23,471
Additions to obligation under finance lease		-		135,370
Payments made for lease obligation under finance lease		(45,197)		(42,609)
Finance cost – lease interest		18,818		-
		82,888		116,232
Foreign exchange		(16,260)		(6,965)
Balance, end of the year	$	66,628	$	109,267

13. CONVERTIBLE DEBENTURE

On October 1, 2015, the Company closed a convertible debenture financing, issuing unsecured convertible debentures of $750,000. The debenture holder had 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 September 30, 2016 (the “Maturity Date”) at a conversion price of $1.00 per unit. Each unit consists of one common share and one-half 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.

The proceeds of the debentures were allocated between equity and liability components by determining the estimated fair value of the liability component and applying the residual balance to the equity component. The fair value interest rate was estimated at 21% (for a liability without the conversion feature) and resulted in an initial fair value of the liability component of $712,810 and a residual value of $37,190 assigned to the equity component which was recorded in equity reserve.

After initial recognition the liability component is carried on an amortized cost basis and will be accreted to its face amount over the term to maturity of the convertible debenture at an effective interest rate of 21%.

(Presented in Canadian Dollars)

13. CONVERTIBLE DEBENTURE (continued)

On September 29, 2016, the Company and the lender agreed to extend the maturity of the convertible debenture to October 31, 2016. On October 28, 2016, the Company and the lender of the convertible debenture agreed to extend the maturity of the convertible debenture to November 30, 2016. On November 30, 2016, the Company and the lender agreed to further extend the maturity of the convertible debenture to December 15, 2016. In each case, all of the key terms and conditions remained unchanged.

On December 7, 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 December 6, 2017. The lender has the right to convert the full outstanding balance into a unit for $0.50 per unit. Each unit includes one common share and one half of one share purchase warrant at an exercise price of $0.65. The amendment resulted in an extinguishment of the original instrument and the recognition of a new amended and restated promissory note valued using an effective interest rate of 21%.

On December 7, 2017 the Company and the lender entered into an agreement to extend the maturity of the convertible debenture to March 31, 2018. The instrument will maintain its 10% interest rate and the Company will incur an additional establishment fee of 2% on the balance at the time of extension of $1,006,267. The Company subsequently negotiated a series of extensions to the convertible debenture, extending the maturity to June 12, 2018 without changing the terms and conditions of the loan.

On June 12, 2018, the Company and the lender of the convertible debenture entered into a second amending agreement of the convertible debenture. Under the terms of the second amendment, the revised loan principal was $1,079,876. The loan bears an annual interest rate of 12% and matures on September 12, 2018. The lender has the right to convert the full outstanding balance into a unit for $0.24 per unit. Each unit includes one common share and one half of one share purchase warrant at an exercise price of $0.32. The amendment resulted in an extinguishment of the original instrument and the recognition of a new amended and restated promissory note valued using an effective interest rate of 21%. On September 12, 2018, the Company and the lender agreed to further extend the maturity of the convertible debenture to December 12, 2018 without changing the terms and conditions of the loan.

The movement in the settled note during the year is as follows:

	September 30, 2018	September 30, 2017
Balance, opening	$ 972,549	$ 862,500
Accretion and interest	169,838	153,500
Changes to equity component	(23,265)	(43,451)
Balance, closing	$ 1,119,122	$ 972,549

(Presented in Canadian Dollars)

14. ASSET RETIREMENT OBLIGATION

Management's estimate of the asset retirement obligation at September 30, 2018 is $20,575 (September 30, 2017 - $19,450). The present value of the obligation was calculated using a risk-free interest rate of 10% (2017 - 10%), an expected remaining life of 12 years, and an inflation rate of 4.1% (2017 – 4.1%). As at September 30, 2018, the total undiscounted obligation was R$103,076 (2017 – R$89,863).

	September 30, 2018	September 30, 2017
Balance, opening	$ 19,450	$ 30,656
Accretion of assessed obligation	5,254	3,108
Reduction of assessed obligation	-	(13,857)
Foreign Exchange	(4,129)	(457)
Balance, closing	$ 20,575	$ 19,450

15. SHARE CAPITAL

Authorized

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Share activities

During the year ended September 30, 2018, the Company:

a) closed the first tranche of a private placement by issuing 7,281,000 units at a price of $0.24 per unit for gross proceeds of $1,747,440. Each unit consisted of one common share and one-half common share purchase warrant, with each full warrant exercisable at a price of $0.32 for a period of eighteen months. The proceeds of $1,747,440 were allocated to common shares and equity reserve at $1,456,200 and $291,240 respectively, based on their fair value on the date of issuance of the units using the residual value approach. In connection with the private placement, the Company paid finder's fees totaling $14,846 and granted 61,860 finders' warrants with a Black-Scholes valuation of $6,484. Each finders' warrant is exercisable at a price of $0.24 for a period of eighteen months; and

b) closed the second and final tranche of a private placement by issuing 645,832 units at a price of $0.24 per unit for gross proceeds of $155,000. Each unit consisted of one common share and one-half common share purchase warrant, with each full warrant exercisable at a price of $0.32 for a period of eighteen months. The proceeds of $155,000 were allocated to common shares and equity reserve at $129,166 and $25,834 respectively, based on their fair value on the date of issuance of the units. The Company incurred additional costs of $10,262 in connection with the closing of the two tranches.

c) closed the first tranche of a private placement by issuing 6,316,072 common shares at a price of $0.14 per common share for gross proceeds of $884,250.

d) closed the second and final tranche of a private placement by issuing 3,041,071 common shares at a price of $0.14 per common share for gross proceeds of $425,750. The Company incurred costs of $6,861 in connection with the closing of the two tranches.

(Presented in Canadian Dollars)

15. SHARE CAPITAL (continued)

Share activities (continued)

During the year ended September 30, 2017, the Company completed a private placement of 8,553,550 common shares at a price of $0.30 per share for gross proceeds of $2,566,065. The Company paid finder's fees totaling $37,865 and granted 126,213 finder's warrants with a Black-Scholes valuation of $22,406. Each finders' warrant is exercisable at $0.30 until June 1, 2019. The Company incurred additional costs of $25,110 in connection with the financing.

Warrants

The 61,860 brokers' warrants ("Warrant") issued as finders' fees during the year ended September 30, 2018 had a grant date fair value of $6,484 (September 30, 2017 – 1,262,130 warrants with fair value of $22,406). The fair value was estimated using the Black-Scholes option pricing model using the following assumptions:

	September 30, 2018	September 30, 2017
Risk-free interest rate	1.77%	0.69%
Expected volatility	125.77%	134.43%
Expected dividends	Nil	Nil
Expected life	1.50 years	1.50 years
Grant date market price	$0.20	$0.30

Each whole Warrant entitles the holder to purchase one common share of the Company. A summary of warrant activity during the year ended September 30, 2018 is as follows:

	Number of Warrants	Weighted Average Exercise Price $
Balance, September 30, 2016	1,504,490	1.34
Issued	126,213	0.30
Balance, September 30, 2017	1,630,703	1.26
Issued	4,025,276	0.32
Expired	(1,504,490)	1.34
Balance, September 30, 2018	4,151,489	0.31

As at September 30, 2018, the weighted average remaining contractual life of the outstanding warrants is 1.00 year.

Expiry Date	Exercise Price $	Number Outstanding
June 1, 2019	0.30	126,213
September 29, 2019	0.32	3,640,500
September 29, 2019	0.24	61,860
November 4, 2019	0.32	322,916
Total	0.32*	4,151,489

*Weighted average exercise price

(Presented in Canadian Dollars)

15. SHARE CAPITAL (continued)

Stock Options

The Company has a stock option plan under which it is authorized to grant options for the acquisition of its common shares to directors, employees and consultants up to a maximum of 10% of the issued and outstanding common shares of the Company at the time the plan was adopted. The exercise price shall not be less than the market price of the Company's shares as at the grant date. The options may be granted for a maximum term of five years. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest fully upon the expiry of the hold period of four months from the grant date unless otherwise determined by the board of directors. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of twelve months.

The Company granted 2,450,000 stock options during the year ended September 30, 2018 (2017 – 190,000). The weighted average fair value of the options granted during the year ended September 30, 2018 was approximately $0.14 per option (2017 - $0.16).

The fair value was estimated using the Black-Scholes option pricing model using the following assumptions:

	September 30, 2018	September 30, 2017
Weighted average risk-free interest rate	1.81%	0.72% - 1.21%
Expected volatility	126.64%	66.9%-120.9%
Expected dividends	Nil	Nil
Expected life	3 years	2.8 years
Grant date share price	0.20	$0.25 - $0.50

For the year ended September 30, 2018, the Company recognized $245,039 (September 30, 2017 - $48,110) as share-based compensation expense on the consolidated statements of comprehensive loss for options granted and vested and will recognize the remaining expenses of $105,345 over the vesting period.

Stock option activity for the year ended September 30, 2018 is as follows:

	Number of Stock Options	Weighted Average Exercise Price $
Balance, September 30, 2016	769,000	1.23
Granted	190,000	0.50
Forfeited	(229,500)	1.55
Balance, September 30, 2017	729,500	0.93
Granted	2,450,000	0.30
Expired / forfeited	(50,000)	2.79
Balance, September 30, 2018	3,129,500	0.41
Exercisable, September 30, 2018	1,432,833	0.53

The weighted average remaining contractual life of the outstanding options was 3.93 years.

(Presented in Canadian Dollars)

15. SHARE CAPITAL (continued)

Stock Options (continued)

Details of stock options outstanding is as follows:

Expiry Date	Exercise Price $	Number Outstanding	Number Exercisable
January 13, 2019	2.40	20,000	20,000
August 4, 2019	2.30	20,000	20,000
February 2, 2020	2.30	54,500	54,500
October 5, 2020	1.00	60,000	60,000
May 31, 2021	0.50	335,000	335,000
November 23, 2021	0.50	40,000	26,666
March 8, 2022	0.50	100,000	66,667
July 4, 2022	0.50	50,000	33,333
January 14, 2023	0.30	2,450,000	816,667
		3,129,500	1,432,833

16. RELATED PARTY TRANSACTIONS

A number of key management personnel, consisting of the directors, CEO, CFO, or their related parties, hold positions in other entities. All related party transactions are recorded at the exchange amount that is the amount agreed to by the Company and the related party.

The aggregate value of transactions with related parties was as follows:

An entity with significant influence and a director in common loaned $750,000 to the Company in 2015 which has been extended in 2018 and 2017 (Note 13).

As at September 30, 2018, $12,138 (September 30, 2017 - $14,659) was owed to key management personnel of the Company and is included in accounts payable and accrued liabilities. The amount payable to related parties is due on demand, unsecured and is non-interest bearing.

Key Management Personnel Compensation

Year ended September 30, 2018

Compensation	Salaries	Management fees	Director fees	Share-based payments	Total
Chief Executive Officer	$ 343,200	$ -	$ -	$ 47,461	$ 390,661
Chief Financial Officer	-	106,904	-	20,970	127,874
Directors	-	-	100,000	128,191	228,191
Total	$ 343,200	$ 106,904	$ 100,000	$ 196,622	$ 746,726

(Presented in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS (continued)

Key Management Personnel Compensation (continued)

Year ended September 30, 2017

Compensation	Salaries	Management fees	Director fees	Share-based payments	Total
Chief Executive Officer	$ 364,200	$ -	$ -	$ 4,774	$ 368,974
Chief Financial Officer	-	44,125	-	-	44,125
Former Chief Financial Officer	79,466	-	-	5,176	84,642
Directors	-	-	50,630	20,385	71,015
Total	$ 443,666	$ 44,125	$ 50,630	$ 30,335	$ 568,756

17. FINANCE COST

	September 30, 2018	September 30, 2017
Accretion and interest on convertible debt (Note 13)	$ 169,838	$ 153,500
Finance cost - acquisition payable accretion (Note 11)	107,713	129,751
Finance cost – lease interest (Note 12)	18,818	-
Gain on modification of acquisition payable (Note 11)	-	(145,289)
Accretion on ARO (Note 14)	5,254	(10,749)
Regulatory fees and interest	237,242	355,397
	$ 538,865	$ 482,610

18. FINANCIAL INSTRUMENTS

The Company 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, accounts receivable, goods and services tax receivable, restricted cash, accounts payable and accrued liabilities, obligation under finance lease, convertible debenture, and acquisition payable. The carrying amounts approximate their fair values because of the short-term nature of these instruments or because the instruments were recorded at fair value during the year. The following schedule outlines the Company's financial instruments at September 30, 2018 measured at fair value on a recurring basis by level within the fair value hierarchy described below

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash	559,448	-	-	559,448

(Presented in Canadian Dollars)

18. FINANCIAL INSTRUMENTS (continued)

As at September 30, 2017, the Company had financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy described below:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Cash	275,119	-	-	275,119

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 and goods and services tax receivable. Credit risk from accounts receivable and goods and services taxes receivable encompasses the default risk of its customers and governments. 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. The Company's accounts receivable includes Brazilian tax receivables, which require that the Company meet certain corporate taxation thresholds or engage in a lengthy filing process. While the Company has reasonable assurance of collection, the timing of receipt is not expected in the near term and accordingly these have been recognized as non-current assets.

As at September 30, 2018, the Company has accounts receivable of $620,774 (2017 - $619,704).

b) Liquidity Risk

Liquidity risk is the risk that the Company will not 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 at September 30, 2018 in the amount of $559,448 (September 30, 2017 - $275,119) in order to meet short-term business requirements. At September 30, 2018, the Company had current liabilities of $3,295,126 (September 30, 2017 - $3,221,242). 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, and the finance lease obligation are due within 12 months of the consolidated statement of financial position date.

(Presented in Canadian Dollars)

18. FINANCIAL INSTRUMENTS (continued)

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.

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 debenture is at a fixed rate, it is not exposed to interest rate risk at this time.

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:

	September 30, 2018 R$	September 30, 2017 R$
Financial Assets		
Cash	481,471	232,083
Accounts receivable	1,927,871	1,580,514
Financial Liabilities		
Accounts payable	4,138,622	4,379,038
Acquisition payable	1,730,000*	2,080,000*
Obligation under finance lease	206,920	278,670

*At September 30, 2018, the fair value of this instrument was R$1,525,116 (September 30, 2017 - R$1,582,098)

As at September 30, 2018, a fluctuation of the Brazilian Real against the Canadian dollar of 10% would result in a change of $118,052 (September 30, 2017 - $193,108) in the Company's net comprehensive loss.

19. 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 share capital, equity reserves, accumulated other comprehensive loss 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.

(Presented in Canadian Dollars)

19. CAPITAL MANAGEMENT (continued)

Management reviews its capital management approach on an ongoing basis. During the year ended September 30, 2018, there has been no change in the Company's management of capital. The Company is not subject to any externally imposed capital requirements.

20. SEGMENTED INFORMATION

The Company's revenues of $2,299,475 (2017 - $2,901,425) are all attributable to Brazil where sales are recorded from shipments of DANF products from the Bonfim Project. For the year ended September 30, 2018, the Company's top three customers accounted for approximately 9.54%, 9.41%, and 9.18% (2017 – 26.9%, 14.8%, and 7.9%) of revenues.

Geographical information relating to the Company's non-current assets (other than financial instruments) is as follows:

	Canada $	Brazil $	Total $
As at September 30, 2018			
Total assets	480,625	4,353,323	4,833,948
Total liabilities	1,402,704	2,099,213	3,501,917
Revenue	-	2,299,475	2,299,475
Gross profit	-	492,700	492,700
Net loss	(1,531,872)	(1,491,024)	(3,022,896)
As at September 30, 2017			
Total assets	338,191	4,804,467	5,142,658
Total liabilities	1,273,868	2,499,448	3,773,316
Revenue	-	2,901,425	2,901,425
Gross profit	-	587,785	587,785
Net loss	(1,781,817)	(2,291,508)	(4,073,325)

21. SUPPLEMENTAL CASH FLOW INFORMATION

The Company had the following non-cash transactions:

	September 30, 2018	September 30, 2017
Fair value of finders' warrants included in equity reserves	$ 6,484	$ 22,406
Equity component of convertible debenture recognized	$ 23,265	$ 43,451

(Presented in Canadian Dollars)

22. INCOME TAXES

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 26.75% (2017 – 26%) as follows:

	September 30, 2018	September 30, 2017
Expected income tax recovery	$ 846,398	$ 1,059,064
Effect of lower tax rates in foreign jurisdictions	108,844	183,321
Permanent differences and other	65,083	(84,365)
Changes in unrecognized deductible temporary difference	(138,867)	(1,460,627)
Foreign exchange	(881,458)	302,607
	$ -	$ -

As at September 30, 2018, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future tax profit will be available to realize such assets:

	2018	2017	Expiry Date Range
Canadian tax loss carry-forwards	$ 12,128,000	$ 10,724,000	2025-2038
Brazilian tax loss carry-forwards	12,173,000	13,211,000	No expiry
Share issuance costs	174,000	290,000	2019-2022
Property, equipment and mining properties	1,652,000	1,656,000	No expiry
Other	70,000	-	No expiry

23. SUBSEQUENT EVENTS

Subsequent to the year ended September 30, 2018, the Company:

a) Settled the remaining balance of the acquisition payable (Note 11) of R$1,730,000 with Quantum by relinquishing its Amaury concession of the Bonfim project; and

b) extended the maturity of its convertible debenture (Note 13) maturing December 12, 2018 to March 12, 2019 without changing the terms and conditions of the loan.