



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2018

General

For further information on Fengro Industries Corp., 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.fengro.com. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2018 and audited consolidated financial statements for the year ended September 30, 2017, 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 26.

This MD&A has been prepared as of May 29, 2018.

Recent Events and 2018 Outlook

The Company continued to follow its strategy of product development and expansion of its market in Brazil. In addition, it continues to look at growth opportunities in Brazil, both organic development and potential corporate transactions, utilizing the skills and experience of its management team and Board.

In 2018, the Company will continue to expand its marketing and sales to support expanded production to achieve at least 100,000 tonnes per annum, in line with the 2017 DANF PEA. Activities include an expanded sales team, marketing efforts across the Cerrado Agricultural Region and the development of additional products such as a partially granulated DANF product, known locally as "Farelado", and a fully granulated DANF product. Both new products will be aimed at the soybean market, as well as corn and crops such as pasture grass.

Agronomic trials with EMBRAPA and COMIGO will be progressing, with results expected in June 2018. Completion of these trials will help improve prices for the Company's product, with certified agronomic performance data, and access to COMIGO's 5,000+ farm membership in the Rio Verde Region.

Increased production and sales is key to making the Company profitable at all levels, and management efforts are focused on the expansion of the Santiago operation, as well as assessing other opportunities to add producing assets to the Company's portfolio.

Proceeds from the current \$1.9 million financing will be utilized for corporate and general costs, and completing various engineering work related to the development of new products at the Santiago operation. It is anticipated that additional funds will be required in 2018 as the Company expands its production and introduces the new products.



Company highlights during and subsequent to the period ended March 31, 2018 are summarized below:

On May 15, 2018, the Company signed a letter agreement amending the maturity of its convertible debenture to May 29, 2018.

On May 4, 2018, the Company completed the second and final tranche of a private placement by issuing 645,832 units at a price of \$0.24 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. As at March 31, 2018, \$150,000 of these proceeds had been collected.

On March 29, 2018, the Company 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 \$1,747,400. 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. 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 \$6,485. Each finders' warrant is exercisable at a price of \$0.24 for a period of eighteen months.

On January 14, 2018, the Company granted to certain directors, officers, and consultants a total of 2,450,000 incentive stock options. All options are exercisable for a period of five years at a price of \$0.30 and vest one third on grant, and one third on each of the following two anniversaries.

On December 18, 2017, the Company changed its name from DuSolo Fertilizers Inc. to Fengro Industries Corp. This change reflects the completion of the Company's restructuring and intention to pursue additional business opportunities given the strength of the management team, board and advisors.

On December 15, 2017, the Company extended the maturity of its convertible debenture with Tembo Capital Mining Fund LP until 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.

Company Overview and Going Concern

Fengro Industries Corp. (formerly DuSolo Fertilizers Inc.) is a publicly listed company trading on the TSX Venture Exchange under the trading symbol "FGR". 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 (totaling 20,807ha) containing sedimentary 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's border in Goias State. The Company produces a DANF sold to local farmers and large agricultural companies such as Bunge, Jalles Machado and Goiasa. The Company's combined exploration and development projects are known overall as the Bonfim Project.



The Company's core business of developing and producing phosphate rock deposits is dependent on the natural cyclic process of planting, maturing and harvesting agricultural crops, or grass for livestock grazing. In Brazil a very significant portion of the Company's annual deliveries are made during the second half of the calendar year. A good proportion of its sales agreements are negotiated during the first half of the calendar year, with additional sales negotiated during the second half as planting etc. and therefore phosphate demand accelerates. This leaves the Company with a working capital situation which requires careful timing and management to minimize the overall amount expended on production prior to deliveries, combined with obtaining the best payment terms and timing from our customers. In calendar 2016 and into 2017, due to various changes to the Company's management and reorganization of the business this was not optimized, with the Company having to build up a stockpile of DANF material in the period October 2016 to January 2017. The Company has since processed and delivered that stockpile and resumed mining in July 2017, matching production and deliveries more closely. The Company will continue to optimize the scheduling or mining, production, stockpiling and deliveries.

Marketing and Sales are an essential part of the development of the Company's business, and can be broken down in 3 main parts:

- current year sales, deliveries and customer support;
- future sales and market expansion / price development; and
- support for product development to expand and diversify the markets open to the Company.

The Company and its commercial team continues to develop and expand the markets for the DANF products, working with the technical team on product development including the granulation and partial granulation of the existing DANF product, both with and without the addition of sulphuric acid, as well as developing the registration and certification testwork needed to confirm the agronomic benefits of the Company's DANF products. On-going engagement with customers and a growing network of sales agents is also improving our market exposure and access.

The Company continues to focus on cost control and completed the consolidation of its new management and technical team in the Belo Horizonte office. As at March 31, 2018, the Company had \$798,466 in cash as it continues to work on the development of its Bonfim Project in Brazil.

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. Fengro 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, Fengro's objective is to be well positioned to capitalize on the needs of a growing industry and create value for its shareholders.

The Company's condensed interim 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 \$1,983,254 (September 30, 2017 - \$1,791,694) and accumulated losses of \$33,337,594 (September 30, 2017 - \$31,810,832). 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 investment in exploration, development of new products, technical reports to support the new products and corporate costs. 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.

SANTIAGO PROJECT DANF PRELIMINARY ECONOMIC ASSESSMENT

On March 23, 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.

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

The Company's decision to produce DANF, its DANF production targets and cash flow projections were not based on a feasibility study of mineral reserves demonstrating economic and technical viability. Without a technical report demonstrating economic and technical viability, there is uncertainty as to whether the Company will be able to economically produce DANF in the long run and as to whether the Company will be confronted with any unforeseen technical impediments. The Company has now completed a PEA. 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 mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability, and as such there is no certainty that the preliminary assessment and economics will be realized.

OPERATIONS

Santiago DANF Project

The Company completed delivery of all previously stockpiled finished product phosphate material at the Campos Belos plant in July 2017, and given existing sales contracts and customer demand, re-started



extraction operations at the Santiago Project upon receipt of its new GUIA which increased permission for annual production to 200,000 tonnes per annum. This material provided DANF for customer deliveries in Q3 2017 and the freshly extracted phosphate rock in July and August 2017 provided material for deliveries in Q4 2017. Mining will now stop and start as required to meet delivery demand, minimizing the working capital requirement. A stockpile sufficient to meet the production needs in the much quieter January to April 2018 period was mined by the end of December 2017.

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.

Table 2 Summary of Production				
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 Ratio ²	1.56
Strip Ratio ³	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.

Permitting

On July 25, 2017, the Company announced that it had received final approval of its new **GUIA** issued by the **DNPM**, and had re-started extraction of phosphate rock from its **DANF** Santiago Project. The Company has also received approval of its Final Exploration Report for the Santiago Project, allowing it to complete its application for various permanent production licences.

The new GUIA has the following terms:

- Permission to extract up to 200,000 tonnes per annum of phosphate mineralization by 30 May, 2018 (previously 100,000 tonnes per annum);
- Final Exploration Report approved – paving the way for the Company to complete the application for its permanent mining and environmental licences; and
- GUIA application can be renewed annually until the permanent licences are received.

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 current Environmental License which is valid until August 2018. Having received the approval of its Final Exploration Report for the Santiago Concession, the Company now expects to submit its application for a Portaria de Lavra in 2018, and expects to receive approval during the 2018 fiscal year. In a parallel process the Company will apply for its life of mine Environmental License from Naturatins.

As the Company's development of new products progresses, additional applications may 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.

The Company filed a positive Final Geology Report for the Amaury Concession in early January 2018. The Company is awaiting approval of the report by the DNPM, however it is anticipated to be received in late 2018.



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.

The Company is currently conducting the following testwork and research:

EMBRAPA – Federal Brazilian Agricultural Research Agency - Development and execution of agronomic efficiency tests at the greenhouse scale initially followed by larger scale field tests, conducted with gramineous and leguminous plants. The testwork started in May 2017 and will take c.12 months to complete. EMBRAPA will measure the agronomic efficiency for different particle size distribution of the acid granulated 13% DANF and for the 15% granulated DANF (greenhouse only);

COMIGO – a large co-operative of farms and plantations based in the Rio Verde region. Tests include straight DANF and DANF with other fertilizers and in total will result in a three year trial (3 harvests) of Soy Bean. The results of the first harvest and performance are expected in June 2018; and

Labfert – Labfert is a private company specializing in process and chemical analysis of fertilizers, it’s based in Uberaba, Minas Gerais State. The work carried out by Labfert is part of the process and engineering design, developing granulation processes with and without acidulation, measuring parameters that will allow the project to select the optimum process routes to obtain the best granulated product. This will allow the preparation of operating and capital cost estimates.

Exploration

Exploration work continued at the Company’s concessions, with field mapping, auger drilling and sampling. Geophysics fieldwork and drilling at the Santiago and Amaury Concessions has been completed as of the date of this MD&A, with the relevant exploration reports filed at DNPM.

At the date of this MD&A, the Company now holds 20,807 hectares, reduced from 54,057 hectares in the Bonfim Project area since 2016. This rationalization focuses the Company’s efforts to the high-grade Santiago and Bonfim 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 December 21, 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

For more information please refer to the technical reports filed on SEDAR and titled “Bonfim Agro-Mineral Phosphate Project, Technical Report and Initial Resource Estimate Tocantins and Goiás States, Brazil,” filed on March 5, 2014, effective December 31, 2013, and amended on February 6, 2015, and the “DANF Santiago Project, Tocantins, Brazil, Independent Technical Report - Preliminary Economic Assessment”, effective date September 1, 2016, and filed on May 8, 2017. The resource estimate was signed off by Mr. Porfirio Cabaleiro Rodriguez an Associate Consultant of Coffey Consultoria e Serviços Ltda., and was prepared in compliance with the standards of disclosure as set out in NI43-101. The PEA was prepared in compliance with the standards of disclosure as set out in NI43-101 and was signed off by Mr. Porfirio Cabaleiro Rodriguez – BSc (Min Eng), MAIG Mário Conrado Reinhardt – BSc (Geology), MAIG Bernardo Cerqueira Viana – BSc (Geology), and MBA, MAIG Fábio Valério Xavier – BSc (Geology), MAIG of GE21 Consultoria Mineral Ltda. Mr. Rodriguez, Mr. Reinhardt, Mr. Viana and Mr. Xavier are each an “independent qualified person” for the purposes of NI43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators.

The Company’s decision to produce DANF, its DANF production targets and cash flow projections were not based on a feasibility study of mineral reserves demonstrating economic and technical viability. Without a technical report demonstrating economic and technical viability, there is uncertainty as to whether the Company will be able to economically produce DANF in the long run and as to whether the Company will be confronted with any unforeseen technical impediments. The Company has now completed a preliminary economic assessment.

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 mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability, and as such there is no certainty that the preliminary assessment and economics will be realized.



Results of Operations – Six month-period

<i>For the six month-period ended March 31, 2018,</i>	2018	2017
Revenue	1,661,756	1,085,254
Cost of operation	(1,223,481)	(600,234)
Profit margin	438,275	485,020
Accounting	168,865	221,369
Consulting fees	7,483	163,310
Directors fees	50,000	-
Conference	421	21,528
Depreciation – corporate	31,108	33,826
Insurance	25,494	36,417
Exploration expenditures	-	1,442
Legal fees	59,554	56,850
Management fees	73,904	26,833
General and administration ⁽¹⁾	289,857	560,846
Salaries	534,007	418,126
Selling	159,667	75,188
Share-based compensation	156,687	35,948
Travel	83,501	92,927
	(1,640,548)	(1,744,610)
Loss before other items	(1,202,273)	(1,259,590)
Finance expense	(264,625)	(237,130)
Gain on reversal of accounts payable	-	31,000
Impairment of exploration and evaluation assets	-	(75,504)
Foreign exchange	(59,864)	-
Net loss after tax	(1,526,762)	(1,541,224)
Other comprehensive (loss) gain	(12,879)	50,381
Net loss and comprehensive loss	(1,539,641)	(1,490,843)
Basic/Diluted loss per share	(0.05)	(0.06)
Total assets	5,869,726	5,907,369

(1) General and administration expense includes – office and miscellaneous, rent, transfer agent & filing fees, and shareholder communication expenses.



Results of Operations – Three month-period

<i>For the three month-period ended March 31, 2018,</i>	2018	2017
Revenue	291,277	356,989
Cost of operation	(239,730)	(279,591)
Profit margin	51,547	77,398
Accounting	88,253	80,133
Consulting fees	4,077	50,934
Directors fees	30,000	-
Conference	421	21,528
Depreciation – corporate	15,388	27,523
Insurance	12,657	15,109
Exploration expenditures	-	1,442
Legal fees	50,111	52,498
Management fees	34,841	14,643
General and administration ⁽¹⁾	156,388	280,181
Salaries	290,469	174,840
Selling	52,601	9,916
Share-based compensation	150,184	16,974
Travel	69,458	16,955
	(954,848)	(762,676)
Loss before other items	(903,301)	(685,278)
Finance expense	(117,876)	(203,608)
Gain on reversal of accounts payable	-	31,000
Impairment of exploration and evaluation assets	-	(75,504)
Foreign exchange	(59,672)	21,587
Net loss after tax	(1,080,849)	(911,803)
Other comprehensive gain	61,469	42,704
Net loss and comprehensive loss	(1,019,380)	(869,099)
Basic/Diluted loss per share	(0.05)	(0.04)
Total assets	5,869,726	5,907,369

(1) General and administration expense includes – office and miscellaneous, rent, transfer agent & filing fees, and shareholder communication expenses.



Production

For the three and six-month periods ended March 31, 2018, DuSolo produced 5,601 and 26,664 tonnes (March 31, 2017 – 6,234 and 17,883 tonnes) of DANF product of varying grades respectively.

Production of DANF product for the periods ended March 31, 2018 was comprised of the following:

	Six-month period		Three-month period	
	2018 (tonnes)	2017 (tonnes)	2018 (tonnes)	2017 (tonnes)
12% DANF	17,984	13,860	3,573	4,106
15% DANF	8,680	4,023	2,028	2,128
Total	26,664	17,883	5,601	6,234

The Company's increased level of production was to meet sales of 28,872 tonnes for the period ended March 31, 2018, as compared to 18,548 tonnes in the prior year. Consistent with the prior period, the Company noted a higher demand for the 12% DANF than the 15% during the period ended March 31, 2018 and accordingly managed its production strategy to meet these sales.

Sales

Sales for the periods ended March 31, 2018 were comprised of the following:

	Six-month period		Three-month period	
	2018 (tonnes)	2017 (tonnes)	2018 (tonnes)	2017 (tonnes)
12% DANF	19,218	15,223	3,251	4,751
15% DANF	9,654	3,325	2,157	1,016
Total	28,872	18,548	5,408	5,767

The average overall sales price was for the three and six-month periods ended March 31, 2018 were \$53.86 and \$57.56 (March 31, 2017 - \$61.90 and \$58.51) respectively. The average selling prices decreased primarily as a result of a weaker Brazilian Real in the current period.

The Company saw an increase in overall tonnes sold, consistent with its objectives of increasing the scope of its operations. It also continues to note an increased demand for its 12% DANF than its higher-grade products. Management has placed an emphasis on developing its sales team and marketing strategy with the goals of selling a higher proportion of its 15% DANF product. The Company is also developing a plan for producing partially-granulated and granulated DANF products, products that management believes can be priced at a premium. In addition, domestically produced phosphate prices were subject to pressure from the price of globally traded imported rock products, which fell in 2017 by around 15%.



Cost of Sales

Cost of sales for the three and six-month periods ended March 31, 2018 were \$239,730 and \$1,223,481 (March 31, 2017 - \$279,591 and \$600,234) respectively. The average per tonne cost of sales for the three and six-month periods ended March 31, 2018 were \$44.33 and 42.58 (March 31, 2017 - \$61.90 and \$29.71) respectively. The increase in overall production costs was a result of increased staffing and overhead costs, resulting from growth and development of the Company's operations. Management continues to focus on the optimization of production costs, matching the timing of mining and processing to meet sales demand, with the objectives of reducing cost per tonne as the Company increases annual output.

The Company recognizes a 1% royalty on revenue due to the property owner. During the period ended March 31, 2018, \$19,315 was recognized in Cost of Sales related to royalties paid compared to \$nil during the period ended March 31, 2017

Expenses and other items – six-month period

During the period ended March 31, 2018, expenses were \$1,640,548 compared to \$1,744,610 for the period ended March 31, 2017. The changes in expenses were largely due to:

- accounting fees of \$168,865 for the period ended March 31, 2018 compared to \$221,369 for the period ended March 31, 2017 decreased due to significant accounting and audit work in the comparable period;
- consulting fees of \$7,483 for the period ended March 31, 2018 compared to \$163,310 for the period ended March 31, 2017 decreased as the Company utilized internal resources in its efforts to reduce expenditures;
- directors' fees of \$50,000 for the period ended March 31, 2018 compared to \$nil for the period ended March 31, 2017 increased as the Company entered into an agreement to pay its five non-executive directors a quarterly fee starting in the third quarter of the year ended September 30, 2017;
- general and administration expense of \$289,857 for the period ended March 31, 2018 compared to \$560,846 for the period ended March 31, 2017 decreased as a result of prior period mining administration and severance payments related to employee termination costs and an effort in the current period to manage working capital and reduce expenditures;
- management fees of \$73,904 period ended March 31, 2018 compared to \$26,833 for the period ended March 31, 2017 increased as the Company has entered into a management agreement with its current CFO, whereas, its former CFO was a salaried employee;
- salaries of \$534,007 for the period ended March 31, 2018 compared to \$418,126 for the period ended March 31, 2017 increased due to changes in executive compensation and from the allocation of non-production salaries.



- selling expenses of \$159,667 for the period ended March 31, 2018 compared to \$75,188 for the period ended March 31, 2017 due to changes to the commission structure and higher sales in the current period.
- share-based compensation of \$156,687 for the period ended March 31, 2018 compared to \$35,948 for the period ended March 31, 2017 increased due to options granted during the period.
- travel expense of \$83,501 for the period ended March 31, 2018 compared to \$92,927 for the period ended March 31, 2017 was considered comparable.
- finance expense of \$264,625 for the period ended March 31, 2018 compared to \$237,130 for the period ended March 31, 2017 increased due to recognition accretion and interest on the Company's convertible note and acquisition payable, and regulatory charges on foreign transactions.
- foreign exchange expense and other comprehensive income and loss will vary due to the fluctuation of the Brazilian Reals compared to the Canadian Dollar.

Expenses and other items – three-month period

During the period ended March 31, 2018, expenses were \$954,848 compared to \$762,676 for the period ended March 31, 2017. The changes in expenses were largely due to:

- accounting fees of \$88,253 for the period ended March 31, 2018 compared to \$80,133 for the period ended March 31, 2017 increased due to an increase in corporate administrative and accounting work in the comparable period;
- consulting fees of \$4,077 for the period ended March 31, 2018 compared to \$50,934 for the period ended March 31, 2017 decreased as the Company utilized internal resources in its efforts to reduce expenditures;
- directors' fees of \$30,000 for the period ended March 31, 2018 compared to \$nil for the period ended March 31, 2017 increased as the Company entered into an agreement to pay its five non-executive directors a quarterly fee starting in the third quarter of the year ended September 30, 2017;
- general and administration expense of \$156,388 for the period ended March 31, 2018 compared to \$280,181 for the period ended March 31, 2017 decreased as a result of prior period mining administration and severance payments related to employee termination costs and an effort in the current period to manage working capital and reduce expenditures;
- management fees of \$34,841 period ended March 31, 2018 compared to \$14,643 for the period ended March 31, 2017 increased as the Company has entered into a management agreement with its current CFO, whereas, its former CFO was a salaried employee;
- salaries of \$290,469 for the period ended March 31, 2018 compared to \$174,840 for the period ended March 31, 2017 increased due to changes in executive compensation and from the allocation of non-production salaries.



- selling expenses of \$52,601 for the period ended March 31, 2018 compared to \$9,916 for the period ended March 31, 2017 increased due to changes to the commission structure.
- share-based compensation of \$150,184 for the period ended March 31, 2018 compared to \$16,955 for the period ended March 31, 2017 increased due to options granted during the period.
- travel expense of \$69,458 for the period ended March 31, 2018 compared to \$16,955 for the period ended March 31, 2017 increased due to considerable additional time spent by officers in Brazil in the current period focusing on business development and maintenance of working capital.
- finance expense of \$117,876 for the period ended March 31, 2018 compared to \$203,608 for the period ended March 31, 2017 decreased as the prior period included additional costs incurred on the amendment of the Company's acquisition payable.
- foreign exchange expense and other comprehensive income and loss will vary due to the fluctuation of the Brazilian Reals compared to the Canadian Dollar.

Cash Flow

	Six months ended March 31,	
	2018	2017
Cash outflows from operating activities	(651,678)	(1,364,867)
Cash outflow from investing activities	(542,249)	(519,940)
Cash outflows from financing activities	1,717,790	(172,120)
Net cash outflows	(523,347)	(2,068,910)
Cash balance	798,466	242,073

Operating Activities

Cash used in operating activities was \$651,678 for the period ended March 31, 2018 compared to \$1,364,867 for the period ended March 31, 2017. This was mainly driven by various cost cutting initiatives and delays in making payments on the Company's accounts payable and accrued liabilities.

Investing Activities

Cash outflow from investing activities was \$542,249 for the period ended March 31, 2018 compared to \$519,940 for the period ended March 31, 2017. The Company incurred \$533,742 (2017 - \$388,853) on exploration and evaluation expenditures and \$8,507 (2017 - \$nil) on the acquisition of property and equipment.



Financing Activities

Cash inflow from financing activities was \$1,717,790 for the period ended March 31, 2018 compared to an outflow of \$172,120 for the period ended March 31, 2017. This was mainly driven by the Company receiving proceeds of \$1,747,440 from share issuance.

Selected Quarterly Financial Information

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

	F2018		F2017				F2016	
	Q2 2018 \$	Q1 2018 \$	Q4 2017 \$	Q3 2017 \$	Q2 2017 \$	Q1 2017 \$	Q4 2016 \$	Q3 2016 \$
Revenues	291,277	1,370,479	1,301,293	514,878	356,989	728,265	895,096	308,243
Net loss	(1,019,380)	(445,913)	(1,143,785)	(1,388,315)	(911,803)	(629,422)	(1,647,765)	(582,807)
Assets	5,869,726	5,036,976	5,142,658	5,485,366	5,907,369	6,336,451	6,915,278	7,789,218
Loss per share (basic and diluted)	(0.03)	(0.02)	(0.04)	(0.05)	(0.04)	(0.03)	(0.09)	(0.04)

Three months ended March 31, 2018 compared to previous quarters in fiscal 2017 and 2016.

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 at a low as the Company is in various cost cutting initiatives and saw an increase in sales.

Financial Position, Liquidity and Capital Resources

The Company has experienced recurring operating losses and has accumulated an operating deficit of \$33,337,594 as at March 31, 2018 (September 30, 2017 - \$31,810,832) and shareholders' equity of \$1,868,982 as of March 31, 2018 (September 30, 2017 - \$1,369,342). The Company had total assets of \$5,869,726 at March 31, 2018 compared to \$5,142,658 in total assets as of September 30, 2017. This increase was primarily due to increase in cash and cash equivalents, and exploration and evaluation assets. Working capital as at March 31, 2018 was in a deficit of \$1,983,254 compared to a deficit of \$1,791,694 as at September 30, 2017.



Subsequent to the period ended March 31, 2018, the Company extended the payment terms of the convertible debenture to May 29, 2018. 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 the following material contractual commitments as at March 31, 2018:

As at March 31, 2018, the Company has financing leases for vehicles. The leases are repayable in monthly installments at annual interest rates of 19%. At March 31, 2018, the obligation outstanding was \$92,522 (September 30, 2017 - \$109,267). During the period ended March 31, 2018, the Company made lease payments of \$28,276 (September 30, 2017 - \$42,609).

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

Fiscal	2018	\$	16,397
	2019		39,353
	2020		39,353
	2021		16,397
Amount representing future interest			(18,978)
			92,522
Less: current portion			(31,722)
			60,800

Escrow Shares

As of March 31, 2018, and date of this report, there were no common shares held in escrow.

Share Capital

Common shares:

At March 31, 2018 and the date of this report, the Company had unlimited authorized common shares without par value and an aggregate of 40,694,842 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 March 31, 2018 and date of this report was as follows:

Expiry date	Number of Warrants	Exercise Price
September 28, 2018	1,220,394	\$1.50
September 28, 2018	109,060	\$1.00
June 1, 2019	126,213	\$0.30
September 29, 2019	3,640,500	\$0.32
September 29, 2019	61,860	\$0.24
November 4, 2019	322,915	\$0.30
Balance, May 29, 2018	5,480,942	

Stock Options:

A summary of the Company's issued and outstanding options at March 31, 2018 and date of this report was as follows:

	Number of stock options	Exercise price
January 13, 2019	40,000	\$2.40
August 4, 2019	20,000	\$2.30
February 2, 2020	69,500	\$2.30
October 5, 2020	60,000	\$1.00
May 31, 2021	335,000	\$0.50
November 23, 2021	40,000	\$0.50
March 8, 2022	100,000	\$0.50
July 5, 2022	50,000	\$0.50
January 14, 2023	2,450,000	\$0.30
Balance, May 29, 2018	3,164,500	

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

Subsequent to the period ended March 31, 2018, the Company:

- a) completed the second and final tranche of a private placement by issuing 645,832 units at a price of \$0.24 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. As at March 31, 2018, \$150,000 of these proceeds had been collected.
- b) negotiated a series of extensions to its convertible debenture extending its maturity to May 29, 2018.

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 September 30, 2017. 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 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 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 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 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 (the CGU). The recoverable amount of an asset or a CGU is the greater of its value-in-use and 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, restricted cash, accounts payable, 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 FV during the year. The following schedule outlines the Company's financial instruments at March 31, 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 and cash equivalents	798,466	-	-	798,466

As at September 30, 2017, the Company's financial instruments measured at fair value were as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Cash and cash equivalents	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. 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 March 31, 2018, the Company has accounts receivable of \$504,548 (September 30, 2017 - \$619,704).

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 17 to the condensed interim consolidated financial statements. The Company had cash and cash equivalents at March 31, 2018 in the amount of \$798,466 (September 30, 2017 - \$275,119) in order to meet short-term business requirements. At March 31, 2018, the Company had current liabilities of \$3,680,484 (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.

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.



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:

	March 31, 2018 R\$	September 30, 2017 R\$
Financial Assets		
Cash	307,836	232,083
Accounts receivable	1,293,979	1,580,514
Financial Liabilities		
Accounts payable	4,626,152	4,379,038
Acquisition payable	1,730,000*	2,080,000*
Obligation under finance lease	237,283	278,670

*At March 31, 2018, the fair value of this instrument was R\$1,377,866 (September 30, 2017 - R\$1,582,098)

As at March 31, 2018, a fluctuation of the Brazilian Real against the Canadian dollar of 10% would result in a change of \$194,633 (September 30, 2017 - \$193,108) 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 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.



Management reviews its capital management approach on an ongoing basis. During the period ended March 31, 2018, there has been no change in the Company's management of capital. The Company is not subject to any externally imposed capital requirements.

Risk 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, 2017 and 2016. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

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 is not basing its decision to begin production of DANF on a feasibility study of mineral reserves demonstrating economic and technical viability. Without a technical report demonstrating economic and technical viability, there is increased uncertainty as to whether DuSolo will be able to economically produce DANF products and as to whether DuSolo will be confronted with any unforeseen technical impediments. Similarly, the Company has not completed a preliminary economic assessment before making production and project expansion decisions.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

On November 23, 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 March 31, 2018.



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