



FENGRO INDUSTRIES CORP.
(formerly DuSolo Fertilizers Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended March 31, 2018 and 2017

(unaudited)

(Expressed in Canadian Dollars)

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

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

FENGRO INDUSTRIES CORP.
(formerly DuSolo Fertilizers Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars) - unaudited

	Note	March 31, 2018 \$	September 30, 2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents		798,466	275,119
Accounts receivable	3	504,548	619,704
GST receivable		8,440	43,773
Inventories	4	295,635	396,503
Prepaid expenses and deposits		90,141	94,449
Total current assets		1,697,230	1,429,548
Restricted cash	5	28,750	28,750
Property, equipment and mining properties	6	1,113,038	1,173,276
Exploration and evaluation assets	7	3,030,708	2,511,084
Total Assets		5,869,726	5,142,658
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	8	2,251,820	2,018,296
Current portion of finance lease obligations	10	31,722	35,756
Convertible debenture	11	1,057,821	972,549
Deferred revenue		38,198	33,429
Current portion of acquisition payable	9	300,923	161,212
Total current liabilities		3,680,484	3,221,242
Acquisition payable	9	236,334	459,113
Asset retirement obligation	12	23,126	19,450
Finance lease obligations	10	60,800	73,511
Total Liabilities		4,000,744	3,773,316
SHAREHOLDERS' EQUITY			
Share capital	13	32,095,873	30,661,004
Equity reserve		4,065,252	3,610,840
Subscriptions received in advance	19	150,000	-
Accumulated other comprehensive loss		(1,104,549)	(1,091,670)
Deficit		(33,337,594)	(31,810,832)
		1,868,982	1,369,342
Total Liabilities and Shareholders' Equity		5,869,726	5,142,658

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 19)

The Board of Directors approved and authorized these financial statements on May 29, 2018 and are signed on its behalf by:

"Duane Lo"

Director

"Peter Ruxton"

Director

The accompanying notes form an integral part of the condensed interim consolidated financial statements

FENGRO INDUSTRIES CORP.
(formerly DuSolo Fertilizers Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars) - unaudited

	Note	Three Months Ended March 31		Six Months Ended March 31	
		2018 \$	2017 \$	2018 \$	2017 \$
Revenue		291,277	356,989	1,661,756	1,085,254
Cost of goods sold		(231,036)	(278,853)	(1,192,255)	(551,110)
Depreciation and depletion	6	(8,694)	(738)	(31,226)	(49,124)
		51,547	77,398	438,275	485,020
Expenses					
Accounting		88,253	80,133	168,865	221,369
Conference		421	21,528	421	21,528
Consulting fees		4,077	50,934	7,483	163,310
Depreciation	6	15,388	27,523	31,108	33,826
Directors Fee		30,000	-	50,000	-
Exploration expenditures		-	1,442	-	1,442
Insurance		12,657	15,109	25,494	36,417
Legal fees		50,111	52,498	59,554	56,850
Management fees		34,841	14,643	73,904	26,833
Office and miscellaneous		94,190	240,116	158,687	512,309
Rent		29,672	4,841	45,704	9,457
Salaries		290,469	174,840	534,007	418,126
Selling		52,601	9,916	159,667	75,188
Shareholder communication		23,080	35,224	73,480	39,080
Share-based compensation	13	150,184	16,974	156,687	35,948
Transfer agent & filing fees		9,446	-	11,986	-
Travel		69,458	16,955	83,501	92,927
		(954,848)	(762,676)	(1,640,548)	(1,744,610)
Loss before other items		(903,301)	(685,278)	(1,202,273)	(1,259,590)
Other items					
Finance cost	15	(117,876)	(203,608)	(264,625)	(237,130)
Foreign exchange		(59,672)	21,587	(59,864)	-
Gain on reversal of accounts payable		-	31,000	-	31,000
Impairment of exploration and evaluation assets		-	(75,504)	-	(75,504)
Net loss		(1,080,849)	(911,803)	(1,526,762)	(1,541,224)
Other comprehensive loss					
Items that may be reclassified subsequently to income or loss					
Currency translation differences of foreign operations		61,469	42,704	(12,879)	50,381
Comprehensive loss		(1,019,380)	(869,099)	(1,539,641)	(1,490,843)
Basic and diluted loss per common share		(0.03)	(0.04)	(0.05)	(0.06)
Weighted average number of shares outstanding – basic and diluted		32,929,808	24,214,458	32,848,019	24,214,458

The accompanying notes form an integral part of the condensed interim consolidated financial statements

FENGRO INDUSTRIES CORP.
(formerly DuSolo Fertilizers Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars) - unaudited

	Six Months Ended March 31	
	2018	2017
	\$	\$
Operating Activities		
Net loss for the period	(1,526,762)	(1,541,224)
Adjustment for items not affecting cash:		
Finance cost – acquisition payable	56,861	90,947
Finance cost – asset retirement obligation	3,786	2,233
Finance cost – convertible debenture	85,272	47,722
Finance cost – finance lease obligations	12,129	-
Depreciation and depletion	62,334	82,950
Impairment – E & E	-	75,504
Share-based compensation	156,687	35,947
Foreign exchange and other	-	(364,940)
Changes in non-cash working capital balances:		
Accounts receivable	147,105	304,594
Prepaid expenses and deposits	4,173	(85,709)
Inventories	98,715	(689,543)
Deferred revenue	4,956	(12,528)
Accounts payable	243,066	689,180
Net cash used in operating activities	(651,678)	(1,364,867)
Investing Activities		
Acquisition of property and equipment	(8,507)	(131,087)
Exploration and evaluation expenditures	(533,742)	(388,853)
Net cash used in investing activities	(542,249)	(519,940)
Financing Activities		
Repayment of lease obligation	(28,276)	(10,178)
Acquisition of non-controlling interest	(136,528)	(161,942)
Proceeds from share issuance	1,747,440	-
Subscriptions received in advance	150,000	-
Share issuance costs – cash	(14,846)	-
Net cash provided by (used in) financing activities	1,717,790	(172,120)
Change in cash and cash equivalents during the period	523,863	(2,056,927)
Foreign exchange effect on cash	(516)	(11,983)
Cash and cash equivalents, beginning of the period	275,119	2,310,983
Cash and cash equivalents, end of the period	798,466	242,073

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FENGRO INDUSTRIES CORP.
(formerly DuSolo Fertilizers Inc.)
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian Dollars) - unaudited

	Note	Number of shares	Share Capital \$	Equity Reserve \$	Deficit \$	Subscriptions received in advance \$	Accumulated Other Comprehensive Income \$	Shareholders' Equity \$
Balance, September 30, 2016		24,214,460	28,180,320	3,496,873	(27,737,507)	-	(1,016,259)	2,923,427
Share-based compensation		-	-	35,948	-	-	-	35,948
Net loss for the period		-	-	-	(1,541,224)	-	-	(1,541,224)
Currency translation differences of foreign operations		-	-	-	-	-	50,318	50,318
Balance, March 31, 2017		24,214,460	28,180,320	3,532,821	(29,278,731)	-	(965,941)	1,468,469
Issuance of common shares for cash, net of costs	13	8,553,550	2,503,090	-	-	-	-	2,503,090
Share-based compensation		-	-	12,162	-	-	-	12,162
Warrants issued to brokers		-	(22,406)	22,406	-	-	-	-
Reissuance of convertible note		-	-	43,451	-	-	-	43,451
Net loss for the period		-	-	-	(2,532,101)	-	-	(2,532,101)
Currency translation differences of foreign operations		-	-	-	-	-	(125,729)	(125,729)
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	13	7,281,000	1,441,354	291,240	-	-	-	1,732,594
Warrants issued to brokers	13	-	(6,485)	6,485	-	-	-	-
Subscriptions received in advance	19	-	-	-	-	150,000	-	150,000
Share-based compensation	13	-	-	156,687	-	-	-	156,687
Net loss for the period		-	-	-	(1,526,762)	-	-	(1,526,762)
Currency translation differences of foreign operations		-	-	-	-	-	(12,879)	(12,879)
Balance, March 31, 2018		40,049,010	32,095,873	4,065,252	(33,337,594)	150,000	(1,104,549)	1,868,982

The accompanying notes form an integral part of the condensed interim consolidated financial statements

FENGRO INDUSTRIES CORP.
(formerly DuSolo Fertilizers Inc.)

Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended March 31, 2018 and 2017
(Expressed in Canadian Dollars) - unaudited

1. Nature of Operations and Going Concern

Fengro Industries Corp. (formerly DuSolo Fertilizers Inc.) (the “Company”) was incorporated on March 11, 2004 under the laws of the Province of British Columbia. The Company is engaged in the 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. The Company changed its name to Fengro Industries Corp. on December 18, 2017.

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.

On July 11, 2017, the Company consolidated its issued and outstanding capital on the basis of one (1) post-consolidation share for each ten (10) pre-consolidation shares. All per share amounts have been retroactively restated.

These 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.

These condensed interim 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.

FENGRO INDUSTRIES CORP.

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Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars) - unaudited

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements have been approved and authorized by the Board of Directors on May 29, 2018.

Basis of Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed consolidated interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its subsidiaries.

New standards 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, 2017, 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 is currently evaluating the impact of adopting these amendments on its financial statements.

FENGRO INDUSTRIES CORP.**(formerly DuSolo Fertilizers Inc.)**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars) - unaudited

2. Basis of Preparation (continued)*New standards not yet adopted (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 is currently evaluating the impact of adopting these amendments on its financial statements.

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.

IAS 7 Statement of Cash Flows

This amendment requires that an entity provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The latest date of mandatory implementation of IAS 7 is January 1, 2017. The Company will provide additional disclosures to the financial statements as a result of adopting this standard.

3. Accounts receivable

	March 31, 2018	September 30, 2017
Trade receivables	\$ 216,848	\$ 417,532
Brazilian VAT receivable	287,700	202,172
	<u>\$ 504,548</u>	<u>\$ 619,704</u>

FENGRO INDUSTRIES CORP.**(formerly DuSolo Fertilizers Inc.)**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars) - unaudited

4. Inventories

	March 31, 2018	September 30, 2017
Finished products	\$ 117,820	\$ 160,177
Process material stockpiles	177,815	236,326
	<u>\$ 295,635</u>	<u>\$ 396,503</u>

5. Restricted Cash

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

6. Property, Equipment and Mining Properties

	Leasehold Improvement \$	Office furniture and equipment \$	Processing and field equipment \$	Computer equipment and software \$	Vehicle under finance lease \$	Mining properties \$	Total \$
Cost							
Balance at September 30, 2017	10,567	72,769	344,954	48,844	285,516	854,781	1,617,431
Current period additions	-	-	7,443	1,064	-	-	8,507
Movement in foreign exchange	(43)	(46)	(1,911)	(562)	(1,580)	(4,731)	(8,873)
Balance at March 31, 2018	10,524	72,723	350,486	49,346	283,936	850,050	1,617,065
Accumulated Depreciation							
Balance at September 30, 2017	10,567	58,583	102,699	27,634	154,223	90,449	444,155
Current Period Additions	-	2,469	17,469	3,588	25,051	13,757	62,334
Movement in foreign exchange	(43)	(7)	(575)	(467)	(864)	(506)	(2,462)
Balance at March 31, 2018	10,524	61,045	119,593	30,755	178,410	103,700	504,027
Carrying Amount							
At March 31, 2018	-	11,678	230,893	18,591	105,526	746,350	1,113,038

FENGRO INDUSTRIES CORP.**(formerly DuSolo Fertilizers Inc.)**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars) - unaudited

6. Property, Equipment and Mining Properties (continued)

	Leasehold Improvement \$	Office furniture and equipment \$	Processing and field equipment \$	Computer equipment and software \$	Vehicle under finance lease \$	Mining properties \$	Total \$
Cost							
Balance at September 30, 2016	9,318	68,980	374,920	27,263	162,273	881,400	1,524,154
Current year 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 at September 30, 2017	10,567	72,769	344,954	48,844	285,516	854,781	1,617,431
Accumulated Depreciation							
Balance at 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 at September 30, 2017	10,567	58,583	102,699	27,634	154,223	90,449	444,155
Carrying Amount							
At September 30, 2017	-	14,186	242,255	21,210	131,293	764,332	1,173,276

7. Exploration and Evaluation Assets

The schedule below summarizes the carrying costs of acquisition costs and all deferred exploration costs incurred to date for the Bonfim mineral property interest that the Company is continuing to explore as at March 31, 2018:

	March 31, 2018	September 30, 2017
Balance, opening	\$ 2,511,084	\$ 2,441,801
Camp and supplies	2,124	4,028
Drilling	120,529	-
Environmental	3,511	3,689
Geological consulting	107,112	220,701
Governmental fees and licences	22,939	18,193
Laboratory analysis	17,769	20,042
Salaries	205,034	343,402
Topography	22,417	32,886
Travel	13,469	6,838
Vehicle	18,838	66,077
	533,742	715,856
Total exploration costs	3,044,826	3,157,657
Movement in foreign exchange	(14,118)	(80,258)
Impairment write-down	-	(566,315)
Balance, closing	3,030,708	2,511,084

FENGRO INDUSTRIES CORP.

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Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars) - unaudited

7. Exploration and Evaluation Assets (continued)

Bonfim Property

During the year ended September 30, 2012, the Company entered into an investment agreement (“Investment Agreement”) to acquire mineral claims in an area located in the state of Tocantins, Brazil (“Bonfim property” or “Bonfim”).

The terms of the Investment Agreement required the Company to form P-Tec Agro Mineracao SPE Ltda (“P-Tec”) with the Vendor in which the Company would own a 75% equity interest. P-Tec was formed in fiscal 2013 and owns a 100% interest in Bonfim and the Company had the option to acquire the remaining 25% interest in P-Tec by fulfilling the following commitments:

- Make an initial cash payment in the amount of \$24,250 (R\$50,000) to the Vendor within (10) business days upon project approval by the TSX Venture Exchange (Paid).
- Make two payments of \$92,660 (R\$200,000) in cash at the end of the first and second phases of exploration respectively, for a total of \$185,320 (R\$400,000), assuming positive results and interest by the Company in the continuity of the project, following each phase.
- Upon completion of a NI 43-101 proven resource report, and assuming the resource calculation returns a minimum of 20 million tonnes at an average grade of no less than 4% P₂O₅, the Company would have the option to purchase the remaining 25% interest from the Vendor by making a payment in cash or shares based on the quantity of proven reserves determined in the NI 43-101 report. The purchase price of the remaining 25% interest was to be determined as follows:
 - a) one real (R\$1.00) (\$0.46) per ton for proven reserves up to 20 million tons;
 - b) seventy-five centavos (R\$0.75) (\$0.35) per ton for proven reserves from 20 to 25 million tons;
 - c) fifty centavos (R\$0.50) (\$0.23) per ton for proven reserves from 25 to 35 million tons;
 - d) forty centavos (R\$0.40) (\$0.19) per ton for proven reserves from 35 to 50 million tons; and
 - e) twenty-five centavos (R\$0.25) (\$0.12) per ton for proven reserves above 50 million tons.

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Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars) - unaudited

7. Exploration and Evaluation Assets (continued)Bonfim Property (continued)

During the year ended September 30, 2014, one mineral claim on the Bonfim property was deemed technically feasible and commercially viable as supported by a full technical report, with financing arranged. In addition, the Company obtained regulatory approval from the Brazilian government to start commercial production at a processing facility which the Company leased during the year. As a result, this claim was considered by the Company to be in the development stage and all exploration and evaluation costs associated with the claim were reclassified to property, equipment and mining properties.

During the year ended September 30, 2014, the Company acquired the Vendor's 25% interest in P-Tec by entering into a new purchase agreement in place of the Investment Agreement discussed above.

During the years ended September 30, 2016 and 2017, the Company entered into amendments of the purchase agreement above. The terms of the new agreements are discussed in Note 9.

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 (2016 - \$529,231) representing the capitalized costs relating to those concessions. The Company did not drop any concessions during the period ended March 31, 2018.

8. Accounts Payable and Accrued Liabilities

	March 31, 2018	September 30, 2017
Trade payables	\$ 811,198	\$ 612,297
Payroll liabilities	674,323	751,168
Financing and goods and service taxes	766,299	654,831
	<u>\$ 2,251,820</u>	<u>\$ 2,018,296</u>

FENGRO INDUSTRIES CORP.**(formerly DuSolo Fertilizers Inc.)**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars) - unaudited

9. Acquisition of Non-Controlling Interest

At September 30, 2013, the Company owned a 75% interest in P-Tec which owned 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 at a cost of R\$5,000,000 to acquire 100% of P-Tec. In connection with this transaction, the minority shareholder agreed to waive the payment of \$92,660 (R\$200,000) due at the second phase of exploration as described in the original Investment Agreement for the Bonfim property in Note 7.

The purchase price is to be paid according to the payment schedule below:

Fiscal	2015	R\$	3,000,000
	2016		1,000,000
	2017		1,000,000
			5,000,000

In connection with the purchase agreement, the Company repurchased 575,000 common shares from the minority shareholder for \$132,250 (R\$290,950), of which \$88,166 (R\$202,400) was paid during 2014 and \$44,084 (R\$88,550) was paid as at September 30, 2015.

During the year ended September 30, 2015, the Company made a partial payment of R\$2,000,000. The remaining 2015 payment of R\$1,000,000 was due in April 2015 and was not paid as at September 30, 2016.

During the year ended September 30, 2016, the Company and the former minority shareholder, Quantum Fertilizantes do Tocantins Ltda (“Quantum”), reached an agreement to amend the original payment schedule as follows:

Fiscal	2016	R\$	515,000
	2017		3,200,000
			3,715,000

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 million. The amendment requires monthly instalments to be paid through to December 2019 in accordance with the following schedule:

Year ended	R\$
2018	470,000
2019	1,022,500
2020	587,500
	\$ 2,080,000

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9. Acquisition of Non-Controlling Interest (continued)

The latter amendment resulted in a deemed extinguishment of the previous payable and a reissuance according to the new payment schedule resulting in a recognized 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%.

During the period ended March 31, 2018, the Company made payments of R\$350,000. The movement during the period is as follows:

	March 31, 2018	September 30, 2017
Balance at the beginning of the period	\$ 620,325	\$ 1,293,760
Payments	(136,528)	(647,721)
Accretion and interest	56,861	129,751
Gain on extinguishment of instrument	-	(145,289)
Foreign exchange impact	(3,401)	(10,176)
	\$ 537,257	\$ 620,325
Less: current portion	300,923	161,212
Non-current portion	236,334	459,113

10. Leases

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

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11. Convertible Debenture

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

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 an establishment fee of 5% and annual interest rate of 10% and matured on December 6, 2017. The Lender has the right to convert the full outstanding balance to a unit for \$0.50 per unit. Each unit includes one common share and one half of share purchase warrant at 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 of 2% on the balance at the time of extension of \$1,006,267. The maturity has been subsequently extended to May 29, 2018 (Note 19).

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11. Convertible Debenture (continued)

The movement in the note during the period is as follows:

		March 31, 2018	September 30, 2017
Balance at the beginning of the period	\$	972,549	\$ 862,500
Accretion and interest		85,272	153,500
Changes to equity component		-	(43,451)
	\$	1,057,821	\$ 972,549

12. Asset Retirement Obligation

Management's estimate of the asset retirement obligation at March 31, 2018 is \$23,126 (September 30, 2017 - \$19,450). The present value of the obligation was calculated using a risk-free interest rate of 10% (2017 - 10%). Reclamation activities are estimated to begin in 2019.

	\$
Balance at September 30, 2017	19,450
Accretion of assessed obligation	3,786
Foreign Exchange	(110)
Balance at March 31, 2018	23,126

13. Share Capitala) Authorized:

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

b) Share activities:

During the period March 31, 2018, the Company close 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 totalling \$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.

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13. Share Capital (continued)b) 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 totalling \$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.

c) Warrants:

Finders' warrants issued as finders' fees during the period ended March 31, 2018 had a grant date fair value of \$6,485. The fair value was estimated using the Black-Scholes option pricing model using the following assumptions:

	March 31, 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 period ended March 31, 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	3,702,360	\$0.32
Expired	(175,036)	\$0.40
Balance, March 31, 2018	5,158,027	\$0.61

As at March 31, 2018, the weighted average remaining contractual life of the outstanding warrants is 1.23 years.

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13. Share Capital (continued)

Expiry Date	Exercise Price \$	Number Outstanding
September 28, 2018	1.50	1,220,394
September 28, 2018	1.00	109,060
June 1, 2019	0.30	126,213
September 29, 2019	0.32	3,640,500
September 29, 2019	0.24	61,860
Total		5,158,027

*Weighted average exercise price

d) 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 period ended March 31, 2018.

The weighted average fair value of the options granted during the period ended March 31, 2018 was approximately \$0.14 per option. The fair value was estimated using the Black-Scholes option pricing model using the following assumptions:

	March 31, 2018	September 30, 2017
Weighted average risk-free interest rate	1.81%	0.72% - 1.21%
Expected volatility	126.64%	66.90% - 120.90%
Expected dividends	Nil	Nil
Expected life	3 years	2.8 years
Grant date share price	0.20	\$0.25 - \$0.50

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13. Share Capital (continued)

d) Stock Options: (continued)

For the period ended March 31, 2018, the Company recognized \$156,687 (2017 - \$35,948) as share-based compensation expense on the condensed interim consolidated statements of comprehensive loss and will recognize the remaining expenses of \$191,896 over the remaining vesting period.

Stock option activity for the period ended March 31, 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
Exercisable at March 31, 2018	3,179,500	0.45

The weighted average remaining contractual life of the outstanding options was 4.37 years.

Details of stock options outstanding is as follows:

Expiry Date	Exercise Price \$	Number Outstanding
May 21, 2018	3.80	15,000
January 13, 2019	2.40	40,000
August 4, 2019	2.30	20,000
February 2, 2020	2.30	69,500
October 5, 2020	1.00	60,000
May 31, 2021	0.50	335,000
November 23, 2021	0.50	40,000
March 8, 2022	0.50	100,000
July 4, 2022	0.50	50,000
January 14, 2023	0.30	2,450,000
		3,179,500

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14. Related Party Balances and 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 2016 which has been extended (Note 11).

As at March 31, 2018, \$61,597 (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*Period ended March 31, 2018*

Compensation	Salaries	Management fees	Share-based payments	Total
	\$	\$	\$	\$
Chief Executive Officer	171,600	-	30,121	201,721
Chief Financial Officer	-	58,904	13,330	72,234
Directors	-	50,000	82,716	132,716
Total	171,600	108,904	126,167	406,671

Period ended March 31, 2017

Compensation	Salaries	Management fees	Share-based payments	Total
	\$	\$	\$	\$
Chief Executive Officer	90,000	-	4,851	94,851
Former Chief Financial Officer	60,000	-	2,655	62,655
Directors	-	-	-	-
Total	150,000	-	7,506	157,506

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15. Finance cost

	Note	2018	2017
Accretion and interest on convertible debt	11	\$ 85,272	\$ 47,722
Accretion on acquisition payable	9	56,861	-
Amendment to acquisition payable		-	90,947
Interest on finance lease obligations	10	12,129	-
Accretion on ARO	12	3,786	2,233
Regulatory fees and interest		106,577	96,228
		\$ 264,625	\$ 237,130

16. Financial Instruments

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 period. 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 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 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.

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16. Financial Instruments (continued)

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.

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16. Financial Instruments (continued)

i) Interest Rate Risk

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

ii) Foreign Currency Exchange Rate Risk

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

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

	March 31, 2018	September 30, 2017
	R\$	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.

17. 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.

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17. Capital Management (continued)

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.

18. Segmented Information

The Company's revenues of \$1,661,756 (2017 - \$1,085,254) are all attributable to Brazil where sales are recorded from shipments of DANF products from the Bonfim Project. For the period ended March 31, 2018, the Company's top three customers accounted for approximately 20.8%, 17.7%, and 13.8% (2016 – one customer accounting for 60%) of revenues.

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

	Canada	Brazil	Total
	\$	\$	\$
As at March 31, 2018			
Total assets	785,259	5,084,467	5,869,726
Total liabilities	1,505,812	2,494,932	4,000,744
Revenue	-	1,661,756	1,661,756
Gross profit	-	438,275	438,275
Net loss	(844,157)	(682,605)	(1,526,762)
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)

19. 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.