



**DUSOLO FERTILIZERS INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended June 30, 2017 and 2016

(unaudited)

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED 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 interim consolidated financial statements they must be accompanied by a notice indicating that these condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated 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 interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by a company's auditor.

**DUSOLO FERTILIZERS INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars) - unaudited

	Note	June 30, 2017 \$	September 30, 2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		351,526	2,310,983
Accounts receivable		593,298	486,526
GST receivable		67,258	33,313
Inventories	3	404,062	229,188
Prepaid expenses and deposits		93,210	146,016
<b>Total Current Assets</b>		<b>1,509,354</b>	<b>3,206,026</b>
Restricted cash		28,750	43,745
Property, equipment and mining properties	4	1,213,602	1,223,706
Exploration and evaluation assets	5	2,733,660	2,441,801
<b>Total Assets</b>		<b>5,485,366</b>	<b>6,915,278</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	6	1,827,929	1,768,936
Current portion of finance lease obligations		40,247	23,471
Convertible debenture	7	950,089	862,500
Deferred revenue		35,150	12,528
Current portion of acquisition payable	8	193,849	1,293,760
<b>Total Current Liabilities</b>		<b>3,047,264</b>	<b>3,961,195</b>
Asset retirement obligation		32,803	30,656
Finance lease obligations		78,599	-
Acquisition payable	8	660,669	-
<b>Total Liabilities</b>		<b>3,819,335</b>	<b>3,991,851</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	30,672,534	28,180,320
Subscriptions receivable		(834,998)	-
Equity reserve		3,562,182	3,496,873
Accumulated other comprehensive loss		(1,078,169)	(1,016,259)
Deficit		(30,655,518)	(27,737,507)
		1,666,031	2,923,427
<b>Total Liabilities and Shareholders' Equity</b>		<b>5,485,366</b>	<b>6,915,278</b>

Nature of Operations and Going Concern (Note 1)

The Board of Directors approved and authorized these financial statements on August 23, 2017 and are signed on its behalf by:

\_\_\_\_\_  
*"Duane Lo"* Director                      \_\_\_\_\_  
*"Peter Ruxton"* Director

**DUSOLO FERTILIZERS INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars) - unaudited

	Note	Three Months Ended		Nine Months Ended	
		2017	June 30 2016	2017	June 30 2016
		\$	\$	\$	\$
<b>Revenue</b>		514,878	308,243	1,600,132	1,489,309
<b>Cost of goods sold</b>		(799,003)	(127,660)	(1,350,113)	(803,221)
<b>Depreciation and depletion</b>		-	(11,744)	(49,124)	(35,232)
		(284,125)	168,839	200,895	650,856
<b>Expenses</b>					
Accounting		142,639	50,219	364,008	139,465
Amortization		25,354	1,903	59,180	16,175
Conference		36,438	-	57,966	14,545
Consulting fees (recovery)		(40,598)	-	122,712	94,877
Directors fees		25,644	-	25,644	-
Lease		-	-	-	35,616
Exploration expenditures		-	10,491	1,442	41,189
Insurance		62,274	12,891	98,691	38,246
Legal fees		45,540	39,937	102,390	261,803
Corporate Services		18,512	61,215	45,345	148,235
Office and miscellaneous		19,619	1,796	500,929	169,218
Rent		25,375	6,075	34,832	25,575
Salaries		205,835	216,456	623,961	514,004
Selling		102,747	-	177,935	405,532
Shareholder communication		14,237	8,297	53,317	30,051
Share-based compensation	9	6,955	12,804	42,903	99,197
Travel		90,229	256,268	183,156	334,777
		(780,800)	(678,352)	(2,494,411)	(2,368,505)
Loss before other items		(1,064,925)	(509,513)	(2,293,516)	(1,717,649)
<b>Other items</b>					
Finance cost	10	(173,017)	(117,849)	(410,147)	(396,624)
Foreign exchange		(138,844)	-	(138,844)	(9,039)
Impairment of exploration and evaluation assets		-	-	(75,504)	-
<b>Net loss</b>		(1,376,786)	(627,362)	(2,918,011)	(2,123,312)
<b>Other comprehensive loss</b>					
Items that may be reclassified subsequently to income or loss:					
Currency translation differences of foreign operations		(11,529)	85,377	(61,910)	55,016
<b>Comprehensive loss</b>		(1,388,315)	(541,985)	(2,979,921)	(2,068,296)
Basic and diluted loss per common share		(0.05)	(0.03)	(0.12)	(0.13)
Weighted average number of shares outstanding – basic and diluted		25,097,457	16,436,218	24,508,791	16,436,218

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

**DUSOLO FERTILIZERS INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars) - unaudited

	<b>Nine Months Ended June 30</b>	
	2017	2016
	\$	\$
<b>Operating Activities</b>		
Net loss for the period	(2,918,011)	(2,123,312)
Adjustment for items not affecting cash:		
Finance cost – asset retirement obligation	2,941	1,686
Finance cost – convertible debenture	87,589	117,614
Finance cost – accrued interest	-	5,300
Finance cost – acquisition payable amendment	190,744	-
Finance cost – acquisition payable accretion	-	95,551
Impairment – E&E	75,504	-
Amortization	112,292	51,407
Share-based compensation (note 9)	42,903	99,197
Foreign exchange and other	36,338	9,040
Changes in non-cash working capital balances:		
Accounts receivable	(159,075)	103,082
Prepaid expenses and deposits	50,740	2,332
Inventories	(188,458)	652,824
Deferred revenue	23,994	(190,887)
Accounts payable	101,318	(1,024,774)
Net cash used in operating activities	(2,541,181)	(2,200,940)
<b>Investing Activities</b>		
Exploration and evaluation expenditures (note 4)	(433,801)	(52,662)
Equipment (note 5)	(72,629)	-
Payments made for acquisition payable (note 8)	(621,990)	(49,382)
Net cash used in investing activities	(1,128,420)	(102,044)
<b>Financing Activities</b>		
Repayment of lease obligation	-	(12,850)
Proceeds on private placement equity financing	1,731,067	3,419,535
Share issuance costs	(51,445)	-
Release of deposit from bank	14,995	90,021
Proceeds from convertible debenture	-	750,000
Repayment of bank loan	-	(28,900)
Repayment of loan payable	-	(197,108)
Net cash provided by financing activities	1,694,617	4,020,698
Change in cash and cash equivalents during the period	(1,974,984)	(1,717,714)
Foreign exchange effect on cash	15,527	(129,775)
Cash and cash equivalents, beginning of the period	2,310,983	1,747,560
Cash and cash equivalents, end of the period	351,526	3,335,499

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

**DUSOLO FERTILIZERS INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian Dollars) - unaudited

	Note	Number of shares	Share Capital \$	Subscriptions Receivable \$	Equity Reserve \$	Deficit \$	Accumulated Other Comprehensive Income \$	Shareholders' Equity \$
Balance, September 30, 2015		15,463,940	24,783,330	-	3,347,023	(23,665,759)	(1,418,865)	3,045,729
Share-based compensation		-	-	-	99,197	-	-	99,197
Issuance of common shares for cash, net of costs		8,750,520	3,419,535	-	-	-	-	3,419,535
Amount relate to convertible debenture		-	-	-	37,190	-	-	37,190
Net loss for the period		-	-	-	-	(2,123,312)	-	(2,123,312)
Currency translation differences of foreign operations		-	-	-	-	-	55,016	55,016
Balance, June 30, 2016		24,214,460	28,202,865	-	3,483,410	(25,789,071)	(1,363,849)	4,533,355
Share-based compensation recovery		-	-	-	(9,082)	-	-	(9,082)
Warrants issued to brokers		-	(22,545)	-	22,545	-	-	-
Net loss for the period		-	-	-	-	(1,948,436)	-	(1,948,436)
Currency translation differences of foreign operations		-	-	-	-	-	347,590	347,590
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 (note 9)		-	-	-	42,903	-	-	42,903
Issuance of common shares for cash		8,553,550	2,566,065	(834,998)	-	-	-	1,731,067
Share issuance costs - cash		-	(51,445)	-	-	-	-	(51,445)
Share issuance costs – brokers' warrants		-	(22,406)	-	22,406	-	-	(22,406)
Net loss for the period		-	-	-	-	(2,918,011)	-	(2,918,011)
Currency translation differences of foreign operations		-	-	-	-	-	(61,910)	(61,910)
Balance, June 30, 2017		32,768,010	30,672,534	(834,998)	3,562,182	(30,655,518)	(1,078,169)	1,666,031

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

## **DUSOLO FERTILIZERS INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars) - unaudited

### **1. Nature of Operations and Going Concern**

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 production of phosphate fertilizers, and acquiring, exploring and evaluating mineral properties in Canada and Brazil. The Company's shares are publicly traded on the TSX Venture Exchange under the symbol DSF. The address of the Company's corporate office and principal place of business is Suite 1100, 1111 Melville Street, Vancouver, British Columbia, Canada.

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

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 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 \$1,537,910 (September 30, 2016 - \$755,169) and accumulated losses of \$30,655,518 (September 30, 2016 - \$27,737,507). 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.

## DUSOLO FERTILIZERS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars) - unaudited

### 2. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34"). The condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for full annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended September 30, 2016, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements have been approved and authorized by the Board of Directors on August 23, 2017.

### 3. Inventories

	June 30, 2017	September 30, 2016
DANF fertilizers	\$ 191,731	\$ 97,426
Process material stockpiles	212,331	118,343
Materials and supplies	-	13,419
	\$ 404,062	\$ 229,188



## DUSOLO FERTILIZERS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars) - unaudited

### 4. Property, Equipment and Mining Properties

	Building and structure \$	Office furniture and equipment \$	Machinery and equipment \$	Computer equipment and software \$	Vehicle under finance lease \$	Plant in development \$	Mining properties \$	Total \$
<b>Cost</b>								
Balance at September 30, 2016	9,318	68,980	414,691	27,263	162,273	-	881,400	1,563,925
Current period additions	-	-	13,343	4,500	136,925	13,236	-	168,004
Movement in foreign exchange	1,319	(240)	(79,983)	8,689	(11,119)	(608)	(22,891)	(104,834)
Balance at June 30, 2017	10,637	68,740	348,051	40,452	288,079	12,628	858,509	1,627,096
<b>Accumulated Depreciation</b>								
Balance at September 30, 2016	9,318	48,999	123,228	23,116	99,293	-	36,266	340,220
Depreciation expense	-	5,938	26,451	3,955	26,824	-	49,124	112,292
Movement in foreign exchange	1,319	3,569	(55,549)	(1,285)	15,964	-	(3,036)	(39,018)
Balance at June 30, 2017	10,637	58,506	94,130	25,786	142,081	-	82,354	413,494
<b>Carrying Amount</b>								
At June 30, 2017	-	10,234	253,921	14,666	145,999	12,628	776,155	1,213,602
<b>Cost</b>								
Balance at September 30, 2015	9,318	66,263	375,061	26,699	153,709	-	778,687	1,409,737
Current period additions	-	-	-	-	-	-	-	-
Movement in foreign exchange	-	2,717	39,630	564	8,564	-	102,713	154,188
Balance at September 30, 2016	9,318	68,980	414,691	27,263	162,273	-	881,400	1,563,925
<b>Accumulated Depreciation</b>								
Balance at September 30, 2015	5,081	37,835	66,037	15,463	92,221	-	36,266	252,903
Depreciation expense	4,237	11,164	57,191	7,653	7,072	-	-	87,317
Balance at September 30, 2016	9,318	48,999	123,228	23,116	99,293	-	36,266	340,220
<b>Carrying Amount</b>								
At September 30, 2016	-	19,981	291,463	4,147	62,980	-	845,134	1,223,706

**DUSOLO FERTILIZERS INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars) - unaudited

**5. 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 June 30, 2017:

	Bonfim \$
<b>Exploration costs</b>	
Balance, September 30, 2016	2,441,801
Camp and supplies	4,062
Drilling	3,722
Geological consulting	111,765
Laboratory analysis	8,027
Mine contract work	28,136
Salaries	236,701
Travel	3,126
Vehicle	38,262
	<u>433,801</u>
Total exploration costs	2,875,602
Movement in foreign exchange	(66,438)
Impairment write-down	(75,504)
Balance, June 30, 2017	<u>2,733,660</u>

	Bonfim \$
<b>Exploration costs</b>	
Balance, September 30, 2015	1,989,056
Camp and supplies	24,760
Drilling	119,414
Environmental	10,916
Geological consulting	170,898
Government fees and other	159,988
Laboratory analysis	7,672
Salaries	84,775
Topography	4,700
Travel	12,724
Vehicle	63,031
	<u>658,878</u>
Total exploration costs	2,647,934
Movement in foreign exchange	323,098
Impairment write-down	(529,231)
Balance, September 30, 2016	<u>2,441,801</u>

## DUSOLO FERTILIZERS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars) - unaudited

### 6. Accounts payable and accrued liabilities

	June 30, 2017	September 30, 2016
Trade payables	\$ 595,369	\$ 816,494
Payroll liabilities and contingencies	677,157	618,022
Financing and goods and service taxes	555,403	334,420
	\$ 1,827,929	\$ 1,768,936

### 7. 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 December 7, 2016, the Company and the Lender of the convertible debenture entered into an Amendment Agreement of the convertible debenture. Under the terms of the Amendment, the revised loan principal was \$876,267. The loan bears establishment fee of 5% and annual interest rate of 10% and matures on December 6, 2017. The Lender has the right to convert full outstanding balance to a unit for \$0.05 per unit. Each unit includes one common share and one half of share purchase warrant at exercise price of \$0.065.

	\$
Balance at September 30, 2016	862,500
Accretion and interest	87,589
<b>Balance at June 30, 2017</b>	<b>950,089</b>

### 8. 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 property. On August 26, 2014, the Company purchased all of the shares of P-Tec held by the former minority shareholder at a cost of R\$5,000,000 to acquire 100% of P-Tec. During the year ended September 30, 2015, the Company made payment of R\$2,000,000 to the former minority shareholder.

**DUSOLO FERTILIZERS INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars) - unaudited

**8. Acquisition of Non-Controlling Interest (continued)**

On December 1, 2015, the Company entered into an agreement to amend the purchase price payment schedule. 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:

Year ended		R\$
2016	\$	515,000 (paid)
2017		3,420,000
	\$	3,935,000

During the nine months ended June 30, 2017, the Company paid R\$1,500,000 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\$2,160,000 million. The amendment requires monthly instalments to be paid through to December 2019 in accordance with the following schedule:

Year ended		R\$
2017	\$	80,000
2018		470,000
2019		1,022,500
2020		587,500
	\$	2,160,000

As at June 30, 2017, the Company accrued acquisition liabilities of:

	\$
Acquisition liability as of September 30, 2016 (R\$3,200,000)	1,293,760
Payment – R\$1,500,000	(621,990)
Amendment – R\$460,000	190,744
Foreign exchange impact	(7,996)
Acquisition liability as of June 30, 2017 (R\$2,160,000)	854,518
Less: current portion	(193,849)
	660,669

**9. Share Capital**Common shares

At June 30, 2017, the Company is authorized to issue an unlimited number of common shares with no par value. Shares issued and paid up at June 30, 2017 are as follows:

	Number of common shares	Amount \$
Balance at June 30, 2017	32,768,008	30,672,534

During the period ended June 30, 2017, the Company completed a non-brokered private placement by issuing 8,553,550 common shares for a price a \$0.30 per share for gross proceeds of \$2,566,065 of which \$834,998 remained collectible as at period end.

**DUSOLO FERTILIZERS INC.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars) - unaudited

**9. Share Capital (continued)**

In connection with the financing, the Company paid finder's fees totalling \$37,864 and granted 1,262,130 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 \$13,581 in connection with the financing.

Stock Options and Warrants:

Stock option and warrant activities for the nine months ended June 30, 2017 are as follows:

	Number of warrants	Weighted average exercise price \$	Number of stock options	Weighted average exercise price \$
Balance, September 30, 2016	1,504,490	1.34	769,000	1.20
Granted	126,213	0.30	140,000	0.50
Expired	-	-	(40,000)	2.20
Forfeited	-	-	(69,500)	1.49
Balance, June 30, 2017	1,630,703	1.26	799,500	1.03
Exercisable at June 30, 2017	1,630,703	1.26	583,667	1.22

## 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 June 30, 2017 was as follows:

Expiry date	Number of Warrants	Exercise Price
September 28, 2018	1,220,039	\$1.50
September 28, 2018	109,060	\$1.00
November 20, 2017	175,036	\$0.40
June 1, 2019	126,213	\$0.30
Balance, June 30, 2017	1,630,703	

Details of stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	June 30, 2017 Number Outstanding	September 30, 2016 Number Outstanding
May 28, 2017	\$ 2.20	-	40,000
February 18, 2018	\$ 3.80	15,000	15,000
March 27, 2018	\$ 3.80	-	10,000
May 22, 2018	\$ 3.80	15,000	15,000
January 14, 2019	\$ 2.40	55,000	65,000
August 5, 2019	\$ 2.30	20,000	20,000
February 2, 2020	\$ 2.30	84,500	84,500
October 5, 2020	\$ 1.00	60,000	93,000
May 30, 2021	\$ 0.50	410,000	426,500
November 23, 2021	\$ 0.50	40,000	-
March 8, 2022	\$ 0.50	100,000	-
		799,500	769,000

**DUSOLO FERTILIZERS INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars) - unaudited

**9. Share Capital (continued)**Stock Options and Warrants (continued):

During the nine months ended June 30, 2017, the Company granted 140,000 (2016 – 220,000) stock options to employees and directors of the Company. The options are exercisable for a period of five years at a weighted average price of \$0.50 per share. The options vest 1/3 on grant date and 1/3 every twelve months thereafter.

The weighted average fair value of the options granted during the nine months ended June 30, 2017 was approximately \$0.16 per share (June 30, 2016 - \$0.30) The fair value was estimated using the Black-Scholes option pricing model using the following assumptions:

	June 30, 2017	June 30, 2016
Weighted average risk-free interest rate	0.87%	0.61%
Expected volatility	74.63%	68.65%
Expected dividends	Nil	Nil
Expected life	3 years	3 years

The share-based compensation expense of \$42,903 (June 30, 2016 - \$99,197) was recorded for the nine months ended June 30, 2017 in respect of all outstanding stock options.

**10. Finance Cost**

	Note	June 30, 2017	June 30, 2016
Accretion on ARO	\$	2,941	\$ -
Amendment to acquisition payable	8	190,744	-
Interest on convertible debt	7	87,589	-
Accretion – acquisition payable		-	117,614
Finance cost – loan payable		-	95,551
Regulatory fees, fines and other		128,873	183,459
	\$	410,147	\$ 396,624

**11. Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, restricted cash, accounts payable, bank loan, obligation under finance lease, loan payable, and acquisition payable. The carrying amounts approximate their fair values because of the short-term nature of these instruments. The following schedule outlines the Company's financial instruments at June 30, 2017 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	351,526	-	-	351,526

## DUSOLO FERTILIZERS INC.

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### 11. Financial Instruments (continued)

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 June 30, 2017, the Company has accounts receivable of \$593,298 (September 30, 2016 - \$486,526).

##### b) Liquidity Risk

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

The Company manages liquidity risk through its management of capital. The Company had cash and cash equivalents at June 30, 2017 in the amount of \$351,526 (September 30, 2016 - \$2,310,983) in order to meet short-term business requirements. At June 30, 2017, the Company had current liabilities of \$3,047,264 (September 30, 2016 - \$3,961,195). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms. The current portion of the acquisition payable, the finance lease obligation, and the bank loan are due within 12 months of the consolidated statement of financial position date.

##### c) Market Risk

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

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**11. Financial Instruments (continued)**

## c) Market Risk (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 fair values of the financial assets and liabilities denominated in Brazilian real are as follows:

	June 30, 2017 R\$	September 30, 2016 R\$
Financial Assets		
Cash	619,773	157,581
Accounts Receivable	1,576,219	1,064,410
Financial Liabilities		
Accounts payable	3,794,867	2,892,659
Acquisition payable	2,160,000	3,200,000
Bank loan	-	-
Obligation under finance lease	300,412	58,677

As at June 30, 2017, a fluctuation of the Brazilian Real against the Canadian dollar of 10% would result in a change of \$160,589 (September 30, 2016 - \$198,173) in the Company's net comprehensive loss.

**12. Segmented Information**

The Company's revenues of \$1,600,132 (June 30, 2016 - \$1,489,309) are all attributable to Brazil where sales are recorded from shipments of DANF fertilizers produced by the Bonfim mine. For the period ended June 30, 2017, the Company had four customers that accounted for approximately 19%, 18%, 14% and 10% of revenues respectively.

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

	Canada \$	Brazil \$	Total \$
As at June 30, 2017			
Property, equipment and mining properties	9,357	1,204,245	1,213,602
Exploration and evaluation assets	-	2,733,660	2,733,660



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### 13. Related Party Balances and Transactions

A number of key management personnel, consisting of the CEO, CFO, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of the entities outlined below. All related party transactions are recorded at the exchange amount that is the amount agreed to by the Company and the related party.

During the nine-month period ended June 30, 2017 the Company extended the term of a \$750,000 convertible loan due to an entity with a director in common.

As at June 30, 2017, \$30,324 (September 30, 2016 - \$216,250) was owed to directors, former directors and senior management of the Company is included in accounts payable and accrued liabilities. The amount payable to related parties is due on demand, unsecured and is non-interest bearing.

During the nine-month period ended June 30, 2017, the Company accrued Directors' fees of \$25,644 and recognized \$13,478 in expenses related to stock options granted to various directors.

#### Key Management Personnel Compensation

##### *9-month period ended June 30, 2017*

<b>Compensation</b>	Salaries	Management	Share-based	Total
	\$	fees	payments	\$
	\$	\$	\$	\$
Chief Executive Officer	201,250	-	3,849	205,099
Chief Financial Officer	-	23,563	-	23,563
Former Chief Financial Officer	60,000	-	3,520	63,520
<b>Total</b>	<b>261,250</b>	<b>23,563</b>	<b>7,369</b>	<b>293,182</b>

##### *9-month period ended June 30, 2016*

<b>Compensation</b>	Salaries	Management	Share-based	Total
	\$	fees	payments	\$
	\$	\$	\$	\$
Chief Executive Officer	135,000	-	16,325	151,325
Former Chief Financial Officer	90,000	-	8,163	98,163
<b>Total</b>	<b>225,000</b>	<b>-</b>	<b>24,488</b>	<b>249,488</b>

### 14. Comparative figures

Certain amounts for the three and nine-month periods ended June 30, 2016 have been reclassified and restated to conform with the presentation and treatment as at September 30, 2016. The material adjustments include recognizing additional expenses for the period of \$186,122 for social security costs, taxes and employee benefits, which have been included in office and miscellaneous and finance cost. \$45,677 in non-current assets were reclassified to prepaid expenses and deposits as at September 30, 2016 to reflect their current nature.

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**15. Subsequent events**

Subsequent to the nine-month period ended June 30, 2017, the Company granted 50,000 stock options to a director of the Company exercisable at a price of \$0.50 per share for a period of five years from the grant date.