CROPS Inc.

FINANCIAL REVIEW

Second Quarter Ended June 30, 2020

CROPS Inc.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2020

Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2020. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

CROPS INC.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Canadian Dollars)

As at:	**June 30, 2020**	**December 31, 2019**
ASSETS		
Current assets		
Cash	$ 97,455	$ 32,423
Taxes receivable	54,479	204,455
Other receivables (Note 15)	-	91,407
Prepaid expenses and deposits (Note 15)	18,047	52,454
	169,981	380,739
Non-current assets		
Long-term deposits (Note 15)	61,000	61,000
Property and equipment (Note 7)	11,635	14,027
	72,635	75,027
TOTAL ASSETS	**$ 242,616**	**$ 455,766**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	$ 1,015,513	$ 1,023,858
Convertible debenture interest payable (Note 11)	487,770	325,477
	1,503,283	1,349,335
Non-current liabilities		
Convertible debentures – liability component (Note 11)	4,259,222	4,140,175
Convertible debentures – derivative liability (Note 11)	302,739	52,321
Asset retirement obligation (Note 12)	58,717	59,775
Total liabilities	6,123,961	5,601,606
Shareholders' equity (deficiency)		
Share capital (Note 13)	38,704,356	38,704,356
Obligation to issue shares (Note 11)	236,685	211,754
Other equity reserve (Note 13)	3,265,301	3,265,301
Accumulated other comprehensive income	155,219	154,917
Deficit	(48,271,276)	(47,543,207)
Deficiency attributed to shareholders of the Company	(5,909,715)	(5,206,879)
Non-controlling interest (Note 5)	28,370	61,039
Total shareholders' deficiency	(5,881,345)	(5,145,840)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**$ 242,616**	**$ 455,766**

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON AUGUST 18, 2020:

"Simon Ridgway" , Director	*"Mario Szotlender"* , Director
Simon Ridgway	Mario Szotlender

See accompanying notes to the condensed consolidated interim financial statements

CROPS INC.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS (UNAUDITED)
(Expressed in Canadian Dollars)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Gypsum revenue (Note 6)	$ -	$ 114,305	$ -	$ 226,988
Gypsum production costs (Note 6)	(74,810)	(282,169)	(109,910)	(432,380)
	(74,810)	(167,864)	(109,910)	(205,392)
Phosphate Exploration Expenditures (Note 10)	(7,516)	(142,982)	(27,350)	(297,306)
General and administrative expenses				
Accounting and legal	1,303	1,518	1,303	9,274
Amortization	918	1,887	2,392	3,796
Finance expense (Note 11)	154,208	132,577	306,271	262,333
Interest and bank charges	145	741	650	1,337
Management fees (Note 15)	8,500	10,500	19,000	21,000
Office and miscellaneous (Note 15)	2,375	7,423	10,717	15,289
Regulatory and stock exchange fees (Note 15)	2,575	2,477	8,550	8,670
Rent and utilities (Note 15)	3,717	4,674	7,013	9,559
Salaries and benefits (Note 15)	6,798	13,124	15,840	29,608
Shareholder communication (Note 15)	1,059	35,356	1,767	35,573
Travel and accommodation (Note 15)	122	105	571	1,585
	(181,720)	(210,382)	(374,074)	(398,024)
Loss from operations	(264,046)	(521,228)	(511,334)	(900,722)
Foreign exchange gain	32,609	121,164	885	68,151
Fair value adjustment on derivative liability (Note 11)	(220,331)	262,971	(250,418)	275,517
Asset retirement obligation accretion (Note 12)	-	(300)	-	(600)
Loss	**$ (451,768)**	**$ (137,393)**	**$ (760,867)**	**$ (557,654)**
Loss attributable to:				
Equity shareholders of the Company	$ (429,747)	$ (121,002)	$ (728,069)	$ (530,155)
Non-controlling interest (Note 5)	(22,021)	(16,391)	(32,798)	(27,499)
	$ (451,768)	$ (137,393)	$ (760,867)	$ (557,654)
Loss per share attributable to equity shareholders of the Company				
- basic and diluted	$(0.01)	$(0.00)	$(0.01)	$(0.01)
Weighted average number of shares outstanding		.		
- basic and diluted	69,890,620	69,890,620	69,890,620	68,840,565

See accompanying notes to the condensed consolidated interim financial statements

CROPS INC.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(Expressed in Canadian Dollars)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Loss	$ (451,768)	$ (137,393)	$ (760,867)	$ (557,654)
Other comprehensive income (loss):				
Exchange gains (losses) arising on translation of foreign operation	(8,779)	(84,820)	431	(112,656)
Total comprehensive loss	$ (460,547)	$ (222,213)	$ (760,436)	$ (670,310)
Comprehensive loss attributable to:				
Equity shareholders of the Company	$ (435,892)	$ (180,375)	$ (727,767)	$ (609,014)
Non-controlling interest	(24,655)	(41,838)	(32,669)	(61,296)
	$ (460,547)	$ (222,213)	$ (760,436)	$ (670,310)

See accompanying notes to the condensed consolidated interim financial statements

CROPS INC.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY) (UNAUDITED)
For the six months ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)

		Equity attributed to shareholders of the Company								
	Number of common shares	**Share capital**	**Obligation to issue shares**	**Share subscriptions received**	**Other equity reserve**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**	**Non-controlling interest**	**Total**
Balance, December 31, 2018	58,710,620	$ 38,317,051	$ 161,754	$ 459,000	$ 3,097,601	$ 303,152	$(42,114,340)	$ 224,218	$ 2,689,631	$ 2,913,849
Loss for the period	-	-	-	-	-	-	(530,155)	(530,155)	(27,499)	(557,654)
Shares issued for private placements	11,180,000	391,300	-	(459,000)	167,700	-	-	100,000	-	100,000
Obligation to issue shares	-	-	24,794	-	-	-	-	24,794	-	24,794
Share issuance costs	-	(3,995)	-	-	-	-	-	(3,995)	-	(3,995)
Currency translation adjustment	-	-	-	-	-	(78,859)	-	(78,859)	(33,797)	(112,656)
Balance, June 30, 2019	69,890,620	38,704,356	186,548	-	3,265,301	224,293	(42,644,495)	(263,997)	2,628,335	2,364,338
Loss for the period	-	-	-	-	-	-	(4,898,712)	(4,898,712)	(1,917,026)	(6,815,738)
Obligation to issue shares	-	-	25,206	-	-	-	-	25,206	-	25,206
Equity returned to non-controlling interest	-	-	-	-	-	-	-	-	(620,538)	(620,538)
Currency translation adjustment	-	-	-	-	-	(69,376)	-	(69,376)	(29,732)	(99,108)
Balance, December 31, 2019	69,890,620	38,704,356	211,754	-	3,265,301	154,917	(47,543,207)	(5,206,879)	61,039	(5,145,840)
Loss for the period	-	-	-	-	-	-	(728,069)	(728,069)	(32,798)	(760,867)
Obligation to issue shares	-	-	24,931	-	-	-	-	24,931	-	24,931
Currency translation adjustment	-	-	-	-	-	302	-	302	129	431
Balance, June 30, 2020	**69,890,620**	**$ 38,704,356**	**$ 236,685**	**$ -**	**$ 3,265,301**	**$ 155,219**	**$(48,271,276)**	**$ (5,909,715)**	**$ 28,370**	**$ (5,881,345)**

See accompanying notes to the condensed consolidated interim financial statements

CROPS INC.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
(Expressed in Canadian Dollars)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
OPERATING ACTIVITIES				
Net loss for the period	$ (451,768)	$ (137,393)	$ (760,867)	$ (557,654)
Items not involving cash:				
Amortization	918	1,887	2,392	3,796
Accretion of asset retirement obligation	-	300	-	600
Finance expense	154,207	132,577	306,271	262,333
Unrealized foreign exchange loss	(13,104)	1,918	(627)	2,544
Fair value adjustment on derivative liability	220,331	(262,971)	250,418	(275,517)
	(89,416)	(263,682)	(202,413)	(563,898)
Changes in non-cash working capital items:				
Taxes receivable	69,058	(42,666)	149,976	(51,704)
Prepaid expenses and deposits	13,902	17,305	34,407	20,973
Other receivables	-	87,853	91,407	54,779
Inventory	-	(13,614)	-	39,421
Accounts payable and accrued liabilities	4,265	55,676	(8,345)	141,566
Net cash provided by (used in) operating activities	(2,191)	(159,128)	65,032	(358,863)
FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	-	-	-	100,000
Share issuance costs	-	-	-	(3,995)
Advances from related party	-	136,542	-	194,447
Net cash provided by financing activities	-	136,542	-	290,452
Increase (decrease) in cash	(2,191)	(22,586)	65,032	(68,411)
Cash, beginning of period	99,646	31,804	32,423	77,629
Cash, end of period	**$ 97,455**	**$ 9,218**	**$ 97,455**	**$ 9,218**

Supplemental disclosure with respect to cash flows (Note 19)

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

CROPS Inc. (the "Company") was incorporated in British Columbia on April 30, 1993 and continued to the Yukon Territory on April 23, 2018. Its common shares are publicly traded on the TSX Venture Exchange ("TSX-V") under the symbol "COPS".

The Company is engaged in the acquisition and exploration of mineral properties. The Company's corporate office and principal place of business is #650 – 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2020, the Company had not yet achieved profitable operations, has accumulated losses of $48,271,276 since inception, and is expected to incur further losses in the development of its business, all of which raises substantial doubt about its ability to continue as a going concern. The Company will periodically have to raise additional financing in order to acquire and conduct work programs on mineral properties and meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Management is continuing to investigate opportunities to raise financing for the Company.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has continued to result in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") on a basis consistent with the significant accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2019. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are stated at their fair values. 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 are presented in Canadian dollars ("CDN"), which is also the Company's and all of its subsidiaries functional currency, except for its 70% owned subsidiary, Juan Paulo Quay S.A.C., which has a functional currency of the Peruvian Sol.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION – cont'd

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

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. A subsidiary is an entity in which the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's principal subsidiaries at June 30, 2020 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Agrifos Peru S.A.C.	Peru	100%	Exploration company
Focus (Cayman) Inc.	Cayman Islands	100%	Holding company
Agrifos International (Cayman) Inc.	Cayman Islands	100%	Holding company
Juan Paulo Quay S.A.C.	Peru	70%	Exploration and mining company

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The Company will be required to adopt the following standard and amendments issued by the IASB as described below:

IFRS 17 Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

Effective for the Company's annual period beginning January 1, 2021. The Company has yet to assess the impact of IFRS 17 on its consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in loss and comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – cont'd

a) 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.

b) Judgment is required in the determination that the Company will continue as a going concern for the next year (Note 1).

c) The carrying value of the investment in acquisition costs relates to a mineral interest and exploration and evaluation asset, and the recoverability of their carrying values. The Company's accounting policy for acquisition costs relating to the mineral interest and exploration and evaluation asset requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

   If, after acquisition costs relating to the mineral interest or exploration and evaluation asset are capitalized, information becomes available suggesting that the carrying amount of the mineral interest or exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash-generating unit ("CGU") or group of cash-generating units ("CGUs") level in the year the new information becomes available. The recoverable amount of the exploration and evaluation asset has been determined using comparable phosphate exploring and mining companies in Peru and abroad, market capitalization and estimated enterprise value of the Company. Such calculations and models were required to estimate, amongst other items, the estimation of the resource, amount and timing of extraction of mineralization, commodity prices, input costs, discount rates and currency rates. The data utilized to estimate these key items included available NI 43-101 reports, feasibility studies and judgements regarding life of mine and mine plan.

d) Inventory valuation requires judgment to determine obsolescence and estimates of provisions for obsolescence to ensure that the carrying value of inventory is not in excess of net realizable value.

e) The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

f) Judgment is applied in determining whether disposal groups represent a component of the entity, the results of which should be recorded as discontinued operations in the consolidated statements of operations and comprehensive loss.

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) The Company may be subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business and on dispositions of mineral property or interests therein, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events, and interpretation of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

b) The fair value of the derivative liability is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the conversion feature, expected volatility, expected life of the derivative, expected dividends and the risk-free rate. Changes in the input assumptions could affect the liability and derivative liability components recognized in the condensed consolidated interim statements of financial position and the accretion expense and fair value change recognized in profit or loss.

(Expressed in Canadian Dollars)

5. NON-CONTROLLING INTEREST

Juan Paulo Quay S.A.C. ("JPQ"), a 70% owned subsidiary of the Company, has a material non-controlling interest ("NCI") in the Company.

JPQ Agreement

In March 2015, the Company's Peruvian subsidiary, Agrifos Peru S.A.C. ("Agrifos Peru") completed a purchase agreement with the shareholders (the "Vendors") of JPQ, titleholder of the Bayovar 12 phosphate mining concession (the "Bayovar 12 Project") located in Northern Peru, whereby the Company acquired a 70% interest in shares of JPQ (the "Bayovar Interest").

A provision in the purchase agreement includes a requirement for the Company to spend a minimum of US$14.0 million in development of the Bayovar 12 Project (such amount to include expenditures incurred prior to the purchase agreement), with no time limit for making such expenditure and without dilution to the Vendor's remaining 30% interest. During the six-month periods ended June 30, 2020 and 2019, there were no costs excluded from the NCI.

During the period ended June 30, 2020, the Company and the Vendors began a process for JPQ to relinquish the Bayovar 12 Project (Note 9).

Summarized financial information in relation to JPQ, before intra-group eliminations, is presented below together with amounts attributed to NCI:

	Six months ended June 30, 2020	2019
Revenue and other income	$ -	$ 226,988
Gypsum operation expenses	(109,910)	(432,380)
Amortization	(1,652)	(1,659)
Foreign exchange loss	2,236	(41)
Loss	$ (109,326)	$ (207,092)
Loss allocated to NCI	$ (32,798)	$ (27,499)
Other comprehensive loss allocated to NCI:		
Currency translation adjustment	129	(33,797)
Total comprehensive loss allocated to NCI	$ (32,669)	$ (61,296)
Dividends paid to NCI	$ -	$ -

(Expressed in Canadian Dollars)

5. NON-CONTROLLING INTEREST – cont'd

		Six months ended June 30, 2020		2019
Cash flows from operating activities	$	(107,674)	$	(205,433)
Cash flows from investing activities		-		-
Cash flows from financing activities		-		221,458
Net cash outflows	$	(107,674)	$	16,025

As at		June 30, 2020		December 31, 2019
Current assets	$	150,465	$	334,887
Non-current assets		6,908		8,650
		157,373		343,537
Current liabilities		(4,088)		(80,299)
Non-current liabilities		(58,717)		(59,775)
		(62,805)		(140,074)
Net assets	$	94,568	$	203,463
Accumulated non-controlling interests	$	28,370	$	61,039

6. GYPSUM PRODUCTION AND INVENTORY

Gypsum has been produced on the Bayovar 12 Project in compliance with the requirements of the Peru mining authority for maintaining the Bayovar 12 concession in good standing, with minimum production set at 80,000 tonnes for each twelve-month period ended June 30th. In early 2019, the Bayovar 12 Project region experienced heavy rainfall resulting in flooding which impacted the Company's ability to access the property and perform extraction activities. As a result, JPQ was unable to meet the minimum production requirements for the twelve-month period ended June 30, 2019. Management of the Company was in discussions with the mining authority regarding the annual minimum production requirements until such time that the Company decided to begin the process of relinquishing the Bayovar 12 Project during the period ended June 30, 2020 (Note 9).

During the six-month period ended June 30, 2020, there was no gypsum sold or produced and JPQ donated its remaining 118,679 tonnes of gypsum inventory to the Fundacion Comunal San Martin de Sechura in Peru for $Nil proceeds. The $232,196 carrying cost of the inventory was written down to its net recoverable value of $Nil as at December 31, 2019.

During the six-month period ended June 30, 2019, Company sold 12,005 tonnes of gypsum for gross proceeds of $226,988 and produced 4,125 tonnes of gypsum.

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost					
Balance, December 31, 2018	$ 45,185	$ 35,913	$ 30,536	$ 19,060	$ 130,694
Additions	-	-	-	-	-
Balance, December 31, 2019	45,185	35,913	30,536	19,060	130,694
Additions	-	-	-	-	-
Balance, June 30, 2020	**$ 45,185**	**$ 35,913**	**$ 30,536**	**$ 19,060**	**$ 130,694**
Accumulated amortization					
Balance, December 31, 2018	$ 35,844	$ 33,104	$ 23,648	$ 16,885	$ 109,481
Charge for period	2,656	822	1,533	2,175	7,186
Balance, December 31, 2019	38,500	33,926	25,181	19,060	116,667
Charge for period	1,331	365	696	-	2,392
Balance, June 30, 2020	**$ 39,831**	**$ 34,291**	**$ 25,877**	**$ 19,060**	**$ 119,059**
Carrying amounts					
At December 31, 2019	$ 6,685	$ 1,987	$ 5,355	$ -	$ 14,027
At June 30, 2020	**$ 5,354**	**$ 1,622**	**$ 4,659**	**$ -**	**$ 11,635**

8. GYPSUM MINERAL INTEREST

The Company's mineral interest comprised the gypsum mineral portion of the Bayovar 12 Project interest the Company acquired in 2015.

During the 2016 fiscal year, the carrying value of the mineral interest was determined to be impaired and as a result, written down to $Nil. During the period ended June 30, 2020, JPQ began the process of relinquishing the Bayovar 12 Project (Note 9) so there were no indicators that would have led to a reversal of the previous year's impairment charges as at June 30, 2020.

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs on its mineral properties as at June 30, 2020:

		Bayovar
Balance, December 31, 2018	$	9,981,135
Cumulative translation adjustment		(303,731)
Write-off of exploration and evaluation asset		(9,677,404)
Balance, December 31, 2019		-
Balance, June 30, 2020	**$**	**-**

Bayovar 12 Project

In March 2015, the Company's Peruvian subsidiary, Agrifos Peru, acquired a 70% interest in the issued share capital of JPQ. During the period ended June 30, 2020, JPQ began the process of relinquishing its interest in the Bayovar 12 Project and as a result, management of the Company determined there were indicators of impairment and wrote off the capitalized cost of $9,677,404 as at December 31, 2019 to its recoverable value of $Nil based on level 3 of the fair value hierarchy.

10. PHOSPHATE PROPERTY EXPENDITURES

During the six-month periods ended June 30, 2020 and 2019, the Company incurred the following expenditures relating to the Bayovar 12 phosphate mineral property which were expensed as incurred:

	Six months ended June 30,			
		2020		**2019**
Geological and other consulting (Note 15)	$	19,024	$	95,567
Office and administration		7,305		40,899
Salaries		783		157,024
Travel		-		2,807
Value added tax		238		1,009
	$	**27,350**	**$**	**297,306**

(Expressed in Canadian Dollars)

11. CONVERTIBLE DEBENTURES

		Debt liability component		Derivative liability component		Total
Balance, December 31, 2018	$	4,089,452	$	522,223	$	4,611,675
Fair value adjustment		-		(469,902)		(469,902)
Accretion of interest		(113,002)		-		(113,002)
Gain on change in estimate		163,725		-		163,725
Balance, December 31, 2019		4,140,175		52,321		4,192,496
Fair value adjustment		-		250,418		250,418
Accretion of interest		119,047		-		119,047
Balance, June 30, 2020	**$**	**4,259,222**	**$**	**302,739**	**$**	**4,561,961**

Secured Debentures

On August 23, 2018, the Company issued secured convertible debentures for the total principal sum of $4,068,466 and 25,427,912 share purchase warrants to Sprott to repay a loan in full. The debentures have a term of three years, and may be convertible, at the election of the holder, into common shares of the Company at the rate of $0.08 per share (for a maximum of 50,855,824 shares) if converted on or before August 23, 2019, or at the rate of $0.10 per share (for a maximum of 40,684,660 shares) if converted after August 23, 2019. The share purchase warrants are exercisable at a price of $0.08 per share for up to three years.

The debentures bear interest which is to be paid quarterly in cash at the rate of 8% per annum. The Company may however, subject to TSX-V approval at the time, elect to pay the interest in common shares of the Company, in which case the interest rate for the applicable payment will be 10% per annum instead of 8%.

The debentures issued to Sprott are secured by a first charge on all assets of the Company.

The debentures and warrants issued to Sprott include a restriction such that the holder may only be issued the number of debenture shares or warrant shares at any given time that will not result in the holder owning or controlling 20% or more of the total outstanding shares of the Company on a non-diluted basis, unless and until a resolution approving such issuance of shares has been passed by the shareholders of the Company in accordance with the applicable rules and policies of the TSX-V.

For accounting purposes, the secured convertible debenture of $4,068,466 is a hybrid financial instrument and was allocated into corresponding debt and derivative liability (conversion feature) components at the date of issue. Due to the varying conversion prices of the debenture, the conversion feature is accounted for as a derivative liability. The Company used the fair value of the derivative liability and warrants issued using Black Scholes option pricing model and calculated the present value of the cash-flows, which consists of interest and principal payment, to calculate the total consideration paid for the debt component. The debt component is subsequently accreted to the face value of the debt portion of the convertible debenture at the effective interest rate of 14.7%. The derivative liability component is re-measured at fair value at each reporting period. Upon issuance of the secured debenture, the Company recorded a debt component of $3,604,004, a derivative component of $495,679, and warrant balance of $352,635.

11. CONVERTIBLE DEBENTURES – cont'd

Secured Debentures – cont'd

During the six months ended June 30, 2020, accretion of interest of $108,074 on the secured convertible debentures was charged to profit or loss and is included in finance expense (2019: $66,771).

During the six months ended June 30, 2020, the Company accrued a liability of $162,293 pertaining to interest owing on the secured debentures (2019: $161,401).

Unsecured Debentures

On August 30, 2018, the Company issued unsecured convertible debentures for total proceeds of $500,000 and a total of 3,125,000 share purchase warrants to a director of the Company and to a company controlled by the Chief Executive Officer of the Company. The debentures have a term of three years, and may be convertible, at the election of the holders, into common shares of the Company at the rate of $0.08 per share (for a maximum of 6,250,000 shares) if converted on or before August 30, 2019, or at the rate of $0.10 per share (for a maximum of 5,000,000 shares) if converted after August 30, 2019. The share purchase warrants are exercisable at a price of $0.08 per share for up to three years.

The debentures bear interest which is to be paid quarterly in common shares of the Company, subject to TSX-V approval at the time, at the rate of 10% per annum.

For accounting purposes, the convertible debentures of $500,000 are hybrid financial instruments and were allocated into corresponding debt and derivative liability (conversion feature) components at the date of issue. Due to the varying conversion prices of the debenture, the conversion feature is accounted for as a derivative liability. The Company used the residual value method, which allocated value first to the derivative component, based on the calculated fair value using the Black-Scholes option pricing model then to the debt component calculated at the present value of the cash-flows, which consists of interest and principal payment and then the residual to the warrants. The debt component is subsequently accreted to the face value of the debt portions of the convertible debentures at the effective interest rate of 15.5%. The derivative liability component is re-measured at fair value at each reporting period. Upon issuance of the unsecured debentures, the fair value was separated into a debt component of $439,119 and a derivative component of $60,881. No fair value was attributed to the warrants.

During the six months ended June 30, 2020, accretion of $10,973 on the unsecured convertible debentures was charged to profit or loss and is included in finance expense (2019: $9,366).

During the six months ended June 30, 2020, the Company recorded $24,931 in obligation to issue common shares pertaining to the interest accrued on the unsecured debentures (2019: $24,794).

(Expressed in Canadian Dollars)

12. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation relates to the restoration and rehabilitation of JPQ's gypsum mining operations. Although the ultimate amount of the asset retirement provision is uncertain, the fair value of this obligation is based on information currently available, including closure plans and the Company's interpretation of current regulatory requirements.

The asset retirement obligation represents the present value of the restoration and rehabilitation costs relating to mining activities that have occurred to date. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Due to JPQ being in the process of relinquishing the Bayovar 12 Project, the rehabilitation expenditure is expected to be incurred within the next year.

		June 30, 2020		**December 31, 2019**
Balance, beginning of period	$	59,775	$	79,109
Change in liability estimate		-		(15,953)
Accretion of interest		-		1,200
Foreign exchange adjustment		(1,058)		(4,581)
Balance, end of period	**$**	**58,717**	**$**	**59,775**

As at June 30, 2020, the Company has determined that it has a rehabilitation provision of $58,717 regarding its Bayovar 12 Project.

13. SHARE CAPITAL AND RESERVES

(a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

There was no share capital activity during the period ended June 30, 2020.

(b) Share Purchase Warrants

The following is a summary of changes in warrants from December 1, 2018 to June 30, 2020:

	Number of warrants	**Weighted average exercise price**
Balance, December 31, 2018	58,774,437	$0.26
Issued	11,180,000	$0.05
Balance, December 31, 2019	69,954,437	$0.24
Expired	(11,180,000)	$0.05
Balance, June 30, 2020	**58,774,437**	**$0.28**

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES – cont'd

(b) Share Purchase Warrants – cont'd

As at June 30, 2020, the following warrants were outstanding:

Expiry date	Number of warrants	Exercise price
November 11, 2020	4,668,000	$0.80
August 23, 2021[(1)]	25,427,912	$0.08
August 30, 2021[(2)]	3,125,000	$0.08
March 22, 2022	25,553,525	$0.40
	58,774,437	

(1) The expiry date for these warrants may be accelerated to immediately upon the debentures issued on August 23, 2018 being repaid or converted in full.

(2) The expiry date for these warrants may be accelerated to immediately upon the debentures issued on August 30, 2018 being repaid or converted in full.

14. SHARE-BASED PAYMENTS

Option Plan Details

The Company has a stock option plan that has been ratified and approved by the shareholders of the Company in June 2019 (the "Plan"). The Plan allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

The following is a summary of changes in options for the period ended June 30, 2020:

				During the period				
Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Expired / forfeited	Closing balance	Vested and exercisable
Jun 29, 2011	Jun 28, 2021	$1.20	18,750	-	-	-	18,750	18,750
Jun 20, 2012	Jun 19, 2022	$0.84	326,250	-	-	(6,250)	320,000	320,000
Jul 11, 2012	Jul 10, 2022	$0.84	37,500	-	-	-	37,500	37,500
Dec 18, 2013	Dec 17, 2023	$0.88	565,000	-	-	(5,000)	560,000	560,000
Jan 15, 2014	Jan 14, 2024	$0.88	11,250	-	-	-	11,250	11,250
Jun 5, 2014	Jun 4, 2024	$1.04	3,750	-	-	-	3,750	3,750
			962,500	**-**	**-**	(11,250)	**951,250**	**951,250**
Weighted average exercise price			**$0.87**	**-**	**-**	**$0.86**	**$0.87**	**$0.87**

(Expressed in Canadian Dollars)

14. SHARE-BASED PAYMENTS – cont'd

Fair Value of Options Issued During the Period

There were no options granted during the periods ended June 30, 2020 and 2019.

The weighted average remaining contractual life of the options outstanding at June 30, 2020 is 2.86 years (December 31, 2019: 3.36 years).

15. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the periods ended June 30, 2020 and 2019 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office, administrative, and personnel costs
Mill Street Services Ltd. ("Mill Street")	Management services
Puerto de Bayovar SAC ("Puerto de Bayovar")	Gypsum Sales

Related party transactions for the periods ended June 30, 2020 and 2019, in addition to related party transactions disclosed elsewhere in the condensed consolidated interim financial statements, comprise the following:

a) The Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for shared administration costs consisting of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Office and miscellaneous	$ 2,744	$ 4,617	$ 7,234	$ 9,173
Regulatory and stock exchange fees	1,000	1,779	1,000	1,779
Rent and utilities	3,717	4,674	7,013	9,559
Salaries and benefits	6,798	13,124	15,840	29,608
Shareholder communication	505	92	755	592
Travel and accommodation	122	105	571	1,585
	$ 14,886	**$ 24,391**	**$ 32,413**	**$ 52,296**

Gold Group is reimbursed by the Company for these shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Salary and benefits include those for the Chief Financial Officer and Corporate Secretary.

Other receivables as of June 30, 2020 include $Nil (December 31, 2019: $91,407) owing from Puerto de Bayovar, a company controlled by the NCI, for gypsum sales.

Prepaid expenses and deposits as of June 30, 2020 include $1,579 (December 31, 2019: $2,113) paid to Gold Group.

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS – cont'd

Long term deposits as of June 30, 2020 consists of $61,000 (December 31, 2019: $61,000) paid to Gold Group and are related to the shared administrative services agreement with Gold Group. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.

Accounts payables and accrued liabilities as of June 30, 2020 includes $206,062 (December 31, 2019: $239,860) owing to Gold Group, $64,500 (December 31, 2019: $44,800) owing to Mill Street, a company controlled by the Chief Executive Officer, $71,121 (December 31, 2019: $70,000) owing to the President for project management fees and expenses, $428,226 (December 31, 2019: $353,197) owing to a director of the Company for advances made to the Company, and $60,000 (December 31, 2019: $Nil) owing to a shareholder of the Company. The amount owing to Gold Group is partially secured by a deposit and is interest bearing if not paid within a certain period.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Management fees	$ 8,500	$ 10,500	$ 19,000	$ 21,000
Geological and other fees	-	30,000	-	60,000
Salaries and benefits	2,200	3,667	3,942	7,792
	$ 10,700	**$ 44,167**	**$ 22,942**	**$ 88,792**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended June 30, 2020 and 2019.

(Expressed in Canadian Dollars)

16. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to precious metals exploration. Due to the geographic and political diversity, the Company's exploration operations are decentralized whereby exploration managers are responsible for business results and regional corporate offices provide support to the exploration programs in addressing local and regional issues. The Company's operations are therefore segmented on a district basis. The Company's assets are located in Canada and Peru.

Details of financial performance by geographical segments are as follows:

Six months ended June 30, 2020	**Canada**	**Peru**	**Total**
Gypsum revenue	$ -	$ -	$ -
Gypsum production costs	-	109,910	109,910
Exploration expenditures	-	27,350	27,350
Amortization	115	2,277	2,392
Net loss	(638,389)	(122,478)	(760,867)

Six months ended June 30, 2019	**Canada**	**Peru**	**Total**
Gypsum revenue	$ -	$ 226,988	$ 226,988
Gypsum production costs	-	432,380	432,380
Exploration expenditures	-	297,306	297,306
Amortization	1,394	2,402	3,796
Net loss	(117,292)	(440,362)	(557,654)

Details of identifiable assets and liabilities by geographical segments are as follows:

As at June 30, 2020	**Canada**	**Peru**	**Total**
Total current assets	$ 9,143	$ 160,838	$ 169,981
Total non-current assets	61,651	10,984	72,635
Total assets	**$ 70,794**	**$ 171,822**	**$ 242,616**
Total current liabilities	$ 1,497,023	$ 6,260	$ 1,503,283
Total non-current liabilities	4,561,961	58,717	4,620,678
Total liabilities	**$ 6,058,984**	**$ 64,977**	**$ 6,123,961**

As at December 31, 2019	**Canada**	**Peru**	**Total**
Total current assets	$ 26,797	$ 353,942	$ 380,739
Total non-current assets	61,766	13,261	75,027
Total assets	**$ 88,563**	**$ 367,203**	**$ 455,766**
Total current liabilities	$ 1,247,977	$ 101,358	$ 1,349,335
Total non-current liabilities	4,192,496	59,775	4,252,271
Total liabilities	**$ 5,440,473**	**$ 161,133**	**$ 5,601,606**

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at June 30, 2020, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in Canada and Peru. The Company monitors this exposure, but has no hedge positions.

As at June 30, 2020, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	June 30, 2020		**December 31, 2019**	
	Peruvian Soles (CDN equivalent)	**US Dollars** (CDN equivalent)	**Peruvian Soles** (CDN equivalent)	**US Dollars** (CDN equivalent)
Cash	$ 68,396	$ 26,561	$ 4,947	$ 17,619
Taxes receivable	50,449	-	202,961	-
Other receivables	-	-	-	91,328
Liabilities	(6,260)	(359,490)	(101,357)	(331,573)
	$ 112,585	**$ (332,929)**	**$ 106,551**	**$ (222,626)**

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – cont'd

Based on the above net exposures at June 30, 2020, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in an increase or decrease of approximately $22,000 (December 31, 2019: $11,600) in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its convertible debenture debt and cash. As the Company's cash is currently held in an interest-bearing bank account and the Company's convertible debenture debt is subject to fixed interest rates, management considers the interest rate risk to be limited.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and other receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset based commercial paper. For other receivables, the Company estimates, on a continuing basis, the expected credit losses and provides an impairment provision as required.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At June 30, 2020, the Company had a working capital deficiency of $1,333,302 (December 31, 2019: $968,596). All of the Company's short-term financial liabilities as of June 30, 2020 have contractual maturities of less than 45 days and are subject to normal trade terms.

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at June 30, 2020:

		1 year		**2 years**		**Total**
Accounts payable and accrued liabilities	$	1,015,513	$	-	$	1,015,513
Convertible debentures		487,770		4,568,466		5,056,236
	$	1,503,283	$	4,568,466	$	6,071,749

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The condensed consolidated interim statement of financial position carrying amounts for cash, receivables, and accounts payable and accrued liabilities approximates fair value due to their short-term nature. The derivative liability is measured at fair value and categorized in level 3. The fair value of the derivative liability is based on the Black-Scholes option pricing model. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – cont'd

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

There were no transfers between levels in the period.

18. CAPITAL MANAGEMENT

The Company monitors its cash, debt and convertible debenture debt, common shares, warrants and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to explore new mineral property opportunities. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it in order to effectively support the acquisition and exploration of mineral properties. The phosphate property in which the Company currently has an interest is in the exploration stage, and as such, the Company is dependent on external financing to fund any future activities. In order to pay for general administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended June 30, 2020. The Company's investment policy is to hold cash in interest bearing bank accounts and/or highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company does not expect its current capital resources to be sufficient to cover its corporate operating costs, closure costs relating to the Bayovar 12 Project, and any new property acquisition or development programs through the next twelve months. As such, the Company will need to raise additional capital. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property development activity. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the periods ended June 30, 2020 and 2019, there was no cash paid for income taxes or loan interest.

Non-cash transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the condensed consolidated interim statements of cash flows.

20. CONTINGENT LIABILITY

In 2014, JPQ entered into an agreement with Fosfatos Del Pacifico, S.A. ("Fospac") to grant Fospac the right of easement on a strip of land located on the Bayovar 12 Project. The easement is valid from June 10, 2014 until the earlier of May 7, 2039 and the date JPQ relinquishes its rights to the Bayovar 12 Project.

As consideration, Fospac paid 1,800,000 Soles in 2014. Pursuant to the agreement, if JPQ returns or loses the concession or surface rights to the Bayovar 12 Project within the sixth to tenth years of the agreement, JPQ is to refund Fospac 50% of the consideration. There is no refund obligation after the tenth year.

CROPS Inc.

(the "Company")

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the six months ended June 30, 2020

General

This Interim Management's Discussion and Analysis ("Interim MD&A") supplements, but does not form part of, the unaudited condensed consolidated interim financial statements of the Company for the six months ended June 30, 2020. The following information, prepared as of August 18, 2020, should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for six months ended June 30, 2020 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In addition, the following should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2019 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The June 30, 2020 condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

The Company's public filings, including its most recent unaudited and audited consolidated financial statements can be reviewed on the SEDAR website www.sedar.com.

Forward-looking Statements

This Interim MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation ("Forward-looking Statements"). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this Interim MD&A may include, without limitation, statements relating to the Company's plans for exploration of its properties; the sufficiency of the Company's cash position; and its ability to raise equity capital or access debt facilities. Often, but not always, these Forward-looking Statements can be identified by the use of words such as "anticipates", "believes", "plans", "estimates", "expects", "forecasts", "scheduled", "targets", "possible", "strategy", "potential", "intends", "advance", "goal", "objective", "projects", "budget", "calculates" or statements that events, "will", "may", "could" or "should" occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- the Company's seeking new prospective mineral properties for acquisition;
- risks associated with mineral exploration;
- fluctuations in commodity prices, foreign exchange rates, and interest rates;
- credit and liquidity risks;

- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters and local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- dilution from further equity financing;
- competition;
- uncertainties relating to general economic conditions; and
- risks relating to a global pandemic, including the coronavirus COVID-19, which unless contained could cause a slowdown in global economic growth and impact the Company's business, operations, financial condition and share price.

as well as those factors referred to in the "Risks and Uncertainties" section in this Interim MD&A.

Forward-looking Statements contained in this Interim MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- the Company will acquire an interest in a prospective mineral property;
- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company's properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matters;
- exploration activities proceeding on a basis consistent with the Company's current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

Business of the Company

On February 20, 2020, the Company issued a news release on the status of its 70% owned Bayovar 12 phosphate property located in the Sechura District of northern Peru.

In 2016, the Company prepared a pre-feasibility study for the possible production of phosphate rock from the Bayovar project. Shortly thereafter, the market prices for phosphate rock to be sold into the fertilizer industry dropped dramatically – well below the price that would justify the development of the Bayovar 12 deposit – and the prices remain soft today.

As stated in the Company's news release of December 11, 2018, management turned its efforts towards finding other uses for Bayovar's phosphate. The Company completed a beneficiation testwork program on phosphate beds from Bayovar, the results of which indicate that the phosphate rock quality would be suitable as the key raw material feed stock in the added-value industrial phosphorus market, specifically to produce elemental phosphorus (P_4), a chemical compound used extensively in many sectors. Management then initiated discussions with various large, international consumers and producers of P_4.

The Company was optimistic that these discussions would result in the financing of a feasibility study that would look at the viability of producing P_4 at the Bayovar 12 project. While the strong interest expressed by these companies led to this sense of optimism, the talks stalled as the cost of conducting such a study appears to be a major stumbling block and there is little appetite for investing in a development-stage phosphate property.

In order to hold the Bayovar 12 concession and the rights to the phosphate rock deposit, the Peru mining agency requires that the Company mine gypsum from the Bayovar property. Revenue from the sale of gypsum, however, have not been covering the cost of production, and the Company has also been paying significant amounts in annual mining taxes and community support. In light of the cost to maintain the concession and the lack of interest from third parties to invest in the development of phosphate from the property, the Board of Directors of the Company determined that it is in the best interests of the Company and its shareholders to relinquish the Company's rights to the Bayovar 12 project.

The Company is currently taking the necessary steps to dissolve Juan Paulo Quay, SAC ("JPQ"), the Peru company which holds the Bayovar 12 concession, and to transfer the concession back to the Peru government.

Management is actively investigating new prospective projects for acquisition by the Company.

Current Status

Due to restrictions on travel and for the safety of our employees because of the COVID-19 pandemic, the Company has curtailed certain operations during the current period. Most of the geological staff returned home and in our corporate offices, most staff are working from home. We will return to the field and office when it is safe and cost effective to do so.

Selected Quarterly Information

The following table provides information for the eight fiscal quarters ended June 30, 2020:

	Second Quarter ended June 30, 2020 ($)	First Quarter ended Mar. 31, 2020 ($)	Fourth Quarter ended Dec. 31, 2019 ($)	Third Quarter ended Sep. 30, 2019 ($)	Second Quarter ended June 30, 2019 ($)	First Quarter ended Mar. 31, 2019 ($)	Four-month period ended Dec. 31, 2018 ($)	Third Quarter ended Aug. 31, 2018 ($)
Gypsum revenue	-	-	-	309,980	114,305	112,683	59,118	112,608
Gypsum production expenses	74,810	35,100	75,535	347,292	282,169	150,211	131,823	139,681
Phosphate exploration expenditures	7,516	19,834	78,417	45,027	142,982	154,324	209,630	151,372
Loss attributed to equity shareholders of the Company								
Total	(429,747)	(298,322)	(4,729,167)	(169,545)	(121,002)	(409,153)	(1,165,695)	(407,458)
Basic & diluted loss per share	(0.01)	(0.00)	(0.07)	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)

Gypsum revenue and production expenses relate to the gypsum operation which consisted of extraction costs, costs that were needed to keep the Bayovar 12 project concession in good standing, and other operating costs. Gypsum production expenses could still be incurred during periods when there was no extraction activity. The loss attributable to equity shareholders of the Company during the quarter ended December 31, 2019 was higher than all quarters presented due to the write-down of the Bayovar 12 project carrying cost of $9,677,404. The loss attributable to equity shareholders of the Company during the four month period ended December 31, 2018 was higher than most quarters presented due to an impairment of goodwill charge of $430,988 and a loss on extinguishment of long-term debt of $438,937.

Results of Operations

All references to 'net loss' in the results of operations discussion below refers to the loss and comprehensive loss attributed to equity shareholders of the Company.

Quarter ended June 30, 2020

For the three-month period ended June 30, 2020, the Company had a net loss of $429,747 compared to a net loss of $121,002 for the three-month period ended June 30, 2019, an increase of $308,745. This increase is due to the quarter current recording a fair value adjustment loss of $220,331 on derivative liabilities whereas the comparative quarter recorded a gain of $262,971, a difference of $483,302.

The current quarter recorded phosphate property expenditures of $7,516 compared to $142,982 for the comparative quarter, a decrease of $135,466.

General and administrative expenses during the current quarter were $181,720 compared to $210,382 for the comparative quarter, a decrease of $28,662. Significantly impacting both the current and comparative quarters were finance expenses of $154,208 and $132,577, respectively. The finance expense is related to accretion of convertible debenture interest. All other general and administrative expenses for the current quarter were either lower than or similar to those in the comparative quarter as a result of cost cutting efforts and reduced activity.

Six months ended June 30, 2020

For the six-month period ended June 30, 2020, the Company had a net loss of $728,069 compared to a net loss of $530,155 for the six-month period ended June 30, 2019, an increase of $197,914. As with the quarterly comparison, the current period recorded a fair value adjustment loss of $250,418 on derivative liabilities whereas the comparative period recorded a gain $275,517. The current period also recorded a foreign exchange gain of $885 compared to a gain of $68,151 for the comparative period.

The current period recorded phosphate property expenditures of $27,350 compared to $297,306 for the comparative period, a decrease of $269,956. There was no revenue from the gypsum operation to offset $109,910 in operation expenses for the current period whereas the comparative period resulted in revenue of $226,988 and operation costs of $432,380.

General and administrative expenses during the current period were $374,074 compared to $398,024 for the comparative period, a decrease of $23,950. Significantly impacting both the current and comparative periods, as with the quarterly comparison, were finance expenses of $306,271 and $262,333, respectively. Also similar to the quarterly comparison, all other general and administrative expenses were either similar or lower for the current period as a result of cost cutting efforts and reduced activity.

Financial Condition, Liquidity and Capital Resources

The Company had cash resources of $97,455 and a working capital deficiency of $1,333,302 as of June 30, 2020 compared to cash resources of $32,423 and a working capital deficiency of $968,596 at December 31, 2019.

In August 2018, the outstanding principal and accrued interest balance of $4,068,465 from a previous loan (US$3,114,019) was paid in full by issuing secured convertible debentures and 25,427,912 share purchase warrants to the lender. Also in August 2018, the Company raised $500,000 through the issuance of unsecured convertible debentures and 3,125,000 share purchase warrants to related parties.

In January 2019, the Company closed a non-brokered private placement of 11,180,000 units at $0.05 per unit for proceeds of $559,000. Each unit consisted of one common share of the Company and one share purchase warrant. The 11,180,000 share purchase warrants included in this placement expired unexercised during the current period.

During the 2019 fiscal year, a related party advanced to the Company for general working capital purposes a total of $353,197, and an additional $61,000 during the current period. These advances are not interest-bearing and are due on demand. During the current period, the Company also received a loan of $60,000 from a shareholder of the Company for general working capital purposes. This loan bears an interest rate of 8% per annum and is due on demand.

As of the end of the 2019 fiscal year, working capital no longer includes gypsum inventory at the Bayovar 12 Project as the remaining 118,679 tonnes of gypsum inventory were donated to the Fundacion Comunal San Martin de Sechura during the current period and the carrying value of $232,196 for the inventory was written off by the Company in the 2019 fiscal year.

The Company does not expect its current capital resources to be sufficient to cover its corporate operating costs, closure costs relating to the Bayovar 12 project, and any new property acquisition or development programs through the next twelve months. As such, the Company will need to raise additional capital. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

Related Party Transactions

See Note 15 of the condensed interim consolidated financial statements for the six months ended June 30, 2020 for details of related party transactions which occurred in the normal course of business.

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position and Outstanding Warrants, Convertible Debentures, and Stock Options

As at the date of this Interim MD&A, the Company's outstanding share position is 69,890,620 common shares and the following share purchase warrants, convertible debentures, and incentive stock options are currently outstanding:

WARRANTS

No. of warrants	Exercise price	Expiry date
4,668,000	$0.80	November 11, 2020
25,427,912	$0.08	August 23, 2021(1)
3,125,000	$0.08	August 30, 2021(2)
25,553,525	$0.40	March 22, 2022
58,774,437		

(1) The expiry date for these warrants may be accelerated to immediately upon the debentures issued on August 23, 2018 being repaid or converted in full.

(2) The expiry date for these warrants may be accelerated to immediately upon the debentures issued on August 30, 2018 being repaid or converted in full.

CONVERTIBLE DEBENTURES

No. of debentures	Conversion rate	Expiry date
40,684,660(1)	$0.10	August 23, 2021
5,000,000(2)	$0.10	August 30, 2021
45,684,660		

(1) Effective August 23, 2019, the conversion rate of these debentures increased from $0.08 to $0.10, and the maximum number of shares issuable on conversion decreased from 50,855,824 to 40,684,660.

(2) Effective August 30, 2019, the conversion rate of these debentures increased from $0.08 to $0.10, and the maximum number of shares issuable on conversion decreased from 6,250,000 to 5,000,000.

STOCK OPTIONS

No. of options	Exercise price	Expiry date
18,750	$1.20	June 28, 2021
320,000	$0.84	June 19, 2022
37,500	$0.84	July 10, 2022
560,000	$0.88	December 17, 2023
11,250	$0.88	January 14, 2024
3,750	$1.04	June 4, 2024
951,250		

Accounting Policies and Basis of Presentation

The Company's significant accounting policies and future changes in accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2019.

Risks and Uncertainties

Global Pandemic

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. The Company's business could be adversely impacted by the effects of the COVID-19 coronavirus which was declared a global pandemic by the World Health Organization in March 2020. COVID-19 infections have been reported globally.

The extent to which COVID-19 may impact the Company's business, including its operations and the market for its securities, will depend on future developments which cannot be predicted, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. The continued spread of COVID-19 globally could materially and adversely impact the Company's business, financial condition and results of operations including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, restrictions to any drill programs and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Company's control.

The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation.

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims or leases are in good standing; and obtaining permits for drilling and other exploration activities.

Title to Mineral Property Risks

The Company does not maintain insurance against title. Title on mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mining properties. The Company has diligently investigated and continues to diligently investigate and validate title to its mineral claims; however, this should not be construed as a guarantee of title. The Company cannot give any assurance that title to properties it acquired will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mineral properties.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of a mineral property to a third party.

Financing and Share Price Fluctuation Risks

The Company has limited financial resources, no source of operating cash flow other than proceeds from sales of mineral properties or mineral property rights and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

Political, Regulatory and Currency Risks

The Company has been operating in a country that has a relatively stable political and regulatory environment. However, changing political aspects may affect the regulatory environment in which the Company operates and no assurances can be given that the Company's plans and operations will not be adversely affected by future developments. Any property interests held and any proposed exploration activities by the Company in emerging nations are subject to political, economic and other uncertainties, including the risk of expropriation, nationalization, renegotiation or nullification of existing contracts, mining licenses and permits or other agreements, changes in laws or taxation policies, currency exchange restrictions, and changing political conditions and international monetary fluctuations.

The Company's equity financings are sourced in Canadian dollars, but it incurs certain expenditures in Peruvian Soles and US dollars. At this time there are no currency hedges in place. Therefore, a weakening of the Canadian dollar against the Peruvian Sole or US dollar could have an adverse impact on the amount of exploration conducted.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

Community Risks

The activities of the Company may be subject to negotiations with the local communities on or nearby 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.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.