CROPS Inc.

FINANCIAL REVIEW

Third Quarter Ended September 30, 2019

CROPS Inc.

(formerly Focus Ventures Ltd.)

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2019 AND AUGUST 31, 2018

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 nine months ended September 30, 2019. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

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

As at:	**September 30, 2019**	**December 31, 2018**
ASSETS		
Current assets		
Cash	$ 24,560	$ 77,629
Taxes receivable	231,696	220,329
Other receivables (Note 15)	207,170	56,756
Inventory (Note 6)	250,674	562,701
Prepaid expenses and deposits (Note 15)	94,244	95,200
	808,344	1,012,615
Non-current assets		
Long-term deposits (Note 15)	61,000	61,000
Property and equipment (Note 7)	15,576	21,213
Exploration and evaluation assets (Note 9)	9,677,404	9,981,135
	9,753,980	10,063,348
TOTAL ASSETS	**$ 10,562,324**	**$ 11,075,963**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	$ 959,227	$ 500,160
	959,227	500,160
Non-current liabilities		
Convertible debentures – liability component (Note 11)	4,449,880	4,089,452
Convertible debentures – derivative liability (Note 11)	119,441	522,223
Asset retirement obligation (Note 12)	75,195	79,109
Deferred income tax liability	2,862,897	2,971,170
Total liabilities	8,466,640	8,162,114
Shareholders' equity (deficiency)		
Share capital (Note 13)	38,704,356	38,317,051
Share subscriptions received (Note 13)	-	459,000
Obligation to issue shares (Note 11)	199,151	161,754
Other equity reserve (Note 13)	3,265,301	3,097,601
Accumulated other comprehensive income	154,723	303,152
Deficit	(42,814,040)	(42,114,340)
Equity (deficiency) attributed to shareholders of the Company	(490,509)	224,218
Non-controlling interest (Note 5)	2,586,193	2,689,631
Total shareholders' equity	2,095,684	2,913,849
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 10,562,324**	**$ 11,075,963**

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON NOVEMBER 26, 2019:

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

Simon Ridgway — Mario Szotlender

See accompanying notes to the condensed consolidated interim financial statements

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

	Three months ended		Nine months ended	
	September 30, 2019	**August 31, 2018**	**September 30, 2019**	**August 31, 2018**
Gypsum revenue	$ 309,980	$ 112,608	$ 536,968	$ 114,204
Gypsum production costs	(347,292)	(139,681)	(779,672)	(261,373)
	(37,312)	(27,073)	(242,704)	(147,169)
Phosphate Exploration Expenditures (Notes 10 and 15)	(45,027)	(151,372)	(342,333)	(517,648)
General and administrative expenses				
Accounting and legal	-	-	9,274	52,595
Amortization	1,841	2,133	5,637	6,976
Finance expense (Note 11)	135,492	148,841	397,825	525,437
Interest and bank charges	715	762	2,052	2,517
Management fees (Note 15)	10,500	10,500	31,500	31,500
Office and miscellaneous (Note 15)	10,955	8,536	26,244	26,774
Regulatory and stock exchange fees (Note 15)	861	1,451	9,531	19,141
Rent and utilities (Note 15)	4,318	5,048	13,877	14,840
Salaries and benefits (Note 15)	13,066	16,383	42,674	55,902
Shareholder communication (Note 15)	1,132	453	36,705	25,233
Travel and accommodation (Note 15)	321	9,112	1,906	18,064
	(179,201)	(203,219)	(577,225)	(778,979)
Loss from operations	(261,540)	(381,664)	(1,162,262)	(1,443,796)
Interest and other income	-	-	-	1,780
Foreign exchange gain (loss)	(47,297)	(38,209)	20,854	(122,904)
Fair value adjustment on derivative liability (Note 11)	127,265	3,023	402,782	3,023
Asset retirement obligation accretion (Note 12)	(300)	(308)	(900)	(924)
Loss	**$ (181,872)**	**$ (417,158)**	**$ (739,526)**	**$ (1,562,821)**
Loss attributable to:				
Equity shareholders of the Company	$ (169,545)	$ (407,458)	$ (699,700)	$ (1,528,408)
Non-controlling interest (Note 5)	(12,327)	(9,700)	(39,826)	(34,413)
	$ (181,872)	$ (417,158)	$ (739,526)	$ (1,562,821)
Loss per share attributable to equity shareholders of the Company				
- basic and diluted	$(0.00)	$(0.01)	$(0.01)	$(0.03)
Weighted average number of shares outstanding	.			
- basic and diluted	69,890,620	58,710,620	69,194,430	58,661,897

See accompanying notes to the condensed consolidated interim financial statements

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

	Three months ended		Nine months ended	
	September 30, 2019	**August 31, 2018**	**September 30, 2019**	**August 31, 2018**
Loss	$ (181,872)	$ (417,158)	$ (739,526)	$ (1,562,821)
Other comprehensive income (loss):				
Exchange losses arising on translation of foreign operation	(99,385)	(12,351)	(212,041)	(57,936)
Total comprehensive loss	$ (281,257)	$ (429,509)	$ (951,567)	$ (1,620,757)
Comprehensive loss attributable to:				
Equity shareholders of the Company	$ (239,115)	$ (416,104)	$ (848,129)	$ (1,568,963)
Non-controlling interest	(42,142)	(13,405)	(103,438)	(51,794)
	$ (281,257)	$ (429,509)	$ (951,567)	$ (1,620,757)

See accompanying notes to the condensed consolidated interim financial statements

CROPS INC. (formerly Focus Ventures Ltd.)
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY) (UNAUDITED)
For the nine months ended September 30, 2019 and August 31, 2018
(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	Deficit	Total	Non-controlling interest	Total
Balance, November 30, 2017	58,393,954	$ 38,283,093	$ -	$ -	$ 2,744,966	$ 223,918	$ (39,420,237)	$ 1,831,740	$ 2,595,119	$ 4,426,859
Loss for the period	-	-	-	-	-	-	(1,528,408)	(1,528,408)	(34,413)	(1,562,821)
Shares issued for services	316,666	33,958	-	-	-	-	-	33,958	-	33,958
Shares subscribed	-	-	-	24,000	-	-	-	24,000	-	24,000
Currency translation adjustment	-	-	-	-	-	(40,555)	-	(40,555)	(17,381)	(57,936)
Balance, August 31, 2018	58,710,620	38,317,051	-	24,000	2,744,966	183,363	(40,948,645)	320,735	2,543,325	2,864,060
Income (loss) for the period	-	-	-	-	-	-	(1,165,695)	(1,165,695)	94,967	(1,070,728)
Shares subscribed	-	-	-	435,000	-	-	-	435,000	-	435,000
Obligation to issue shares	-	-	161,754	-	-	-	-	161,754	-	161,754
Warrants issued with convertible debentures	-	-	-	-	352,635	-	-	352,635	-	352,635
Currency translation adjustment	-	-	-	-	-	119,789	-	119,789	51,339	171,128
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	-	-	-	-	-	-	(699,700)	(699,700)	(39,826)	(739,526)
Shares issued for private placement	11,180,000	391,300	-	(459,000)	167,700	-	-	100,000	-	100,000
Obligation to issue shares	-	-	37,397	-	-	-	-	37,397	-	37,397
Share issuance costs	-	(3,995)	-	-	-	-	-	(3,995)	-	(3,995)
Currency translation adjustment	-	-	-	-	-	(148,429)	-	(148,429)	(63,612)	(212,041)
Balance, September 30, 2019	**69,890,620**	**$ 38,704,356**	**$ 199,151**	**$ -**	**$ 3,265,301**	**$ 154,723**	**$ (42,814,040)**	**$ (490,509)**	**$ 2,586,193**	**$ 2,095,684**

See accompanying notes to the condensed consolidated interim financial statements

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

	Three months ended		Nine months ended	
	September 30, 2019	**August 31, 2018**	**September 30, 2019**	**August 31, 2018**
OPERATING ACTIVITIES				
Net loss for the period	$ (181,872)	$ (417,158)	$ (739,526)	$ (1,562,821)
Items not involving cash:				
Amortization	1,841	2,133	5,637	6,976
Accretion of asset retirement obligation	300	308	900	924
Finance expense	135,492	188,429	397,825	335,837
Share-based payments	-	-	-	33,958
Unrealized foreign exchange loss	2,270	29,175	4,814	50,035
Fair value adjustment on derivative liability	(127,265)	(3,023)	(402,782)	(3,023)
	(169,234)	(200,136)	(733,132)	(1,138,114)
Changes in non-cash working capital items:				
Taxes receivable	40,337	(47,673)	(11,367)	(110,159)
Prepaid expenses and deposits	(20,017)	10,725	956	(12,094)
Other receivables	(205,193)	835	(150,414)	106,209
Inventory	272,606	(83,402)	312,027	(620,796)
Accounts payable and accrued liabilities	7,758	(100,261)	149,324	223,017
Net cash used in operating activities	(73,743)	(419,912)	(432,606)	(1,551,937)
FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	-	-	100,000	-
Share issuance costs	-	-	(3,995)	-
Proceeds from convertible debentures	-	4,568,466	-	4,568,466
Debt transaction costs	-	(36,615)	-	(36,615)
Repayment of debt	-	(4,068,466)	-	(4,068,466)
Advances from related party (Note 15)	89,085	-	283,532	-
Share subscriptions received	-	24,000	-	24,000
Net cash provided by financing activities	89,085	487,385	379,537	487,385
INVESTING ACTIVITIES				
Purchase of property and equipment	-	(3,344)	-	(3,344)
Net cash used in investing activities	-	(3,344)	-	(3,344)
Increase (decrease) in cash	15,342	64,129	(53,069)	(1,067,896)
Cash, beginning of period	9,218	60,393	77,629	1,192,418
Cash, end of period	**$ 24,560**	**$ 124,522**	**$ 24,560**	**$ 124,522**

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"). The Company previously operated under "Focus Ventures Ltd." until it changed its name to CROPS Inc. on April 23, 2018 and changed its trading symbol on the TSX-V to "COPS". On April 23, 2018, the Company also completed a share consolidation on a 4 to 1 basis.

The Company is engaged in the acquisition and exploration of mineral properties located primarily in Peru. 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 September 30, 2019, the Company had not yet achieved profitable operations, has accumulated losses of $42,814,040 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 conduct its planned 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.

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 thirteen-month period ended December 31, 2018. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

Change of year end

Effective in 2018, the Company changed its financial year end from November 30 to December 31 in order to align the Company's year-end with that of its Peruvian subsidiaries which operate on a calendar fiscal year end. Accordingly, these condensed consolidated interim financial statements present the statements of financial position as at September 30, 2019 and December 31, 2018 and the results of operations for the nine months periods ended September 30, 2019 and August 31, 2018.

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

Basis of Measurement – 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 September 30, 2019 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. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS

The following outlines the new accounting standards and amendments adopted by the Company effective January 1, 2019:

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

On December 8, 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IFRS 9 Financial Instruments

The Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The adoption of IFRS 9 did not have a material impact the Company's classification and measurement of financial assets and liabilities. The standard also had no impact on the carrying amounts of our financial instruments as at the transition date of January 1, 2019.

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS – cont'd

IFRS 15 Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The adoption of IFRS 15 did not have a material impact on the Company's condensed consolidated interim financial statements.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard was effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 did not have a material impact on the Company's condensed consolidated interim 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:

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – cont'd

c) Cont'd

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.

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 consolidated 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 material non-controlling interests ("NCI") in the Company.

JPQ Agreement

On March 26, 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"), and thereby cancelling a previously granted option agreement to earn such interest.

Additional terms to the purchase agreement include:

i) the Company is required 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;
ii) if after spending US$14.0 million further funding is needed to determine the viability of a phosphate operation, the Company must incur additional development expenditures of up to US$4.0 million of which 30% will be treated as a loan to the Vendors;
iii) port and loading services for the future export of phosphate rock will be provided by the Vendors at commercial rates at the JPQ Maritime Terminal located 40 kilometres west of the Bayovar 12 Project; and
iv) the Company has a right of first refusal for the purchase of the Vendors' 30% interest in JPQ.

The Company is also responsible for certain costs relating to keeping the Bayovar 12 Project in good standing until the terms i) and ii) of the purchase agreement are completed. During the nine month periods ended September 30, 2019 costs totaling $114,520 were excluded from the NCI (nine month period ended August 31, 2018: $48,648).

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

	Nine months ended	
	September 30, 2019	**August 31, 2018**
Revenue and other income	$ 536,968	$ 114,204
Gypsum production expenses	(779,672)	(261,373)
Amortization	(2,477)	(1,930)
Foreign exchange loss	(1,404)	(14,260)
Loss	$ (246,585)	$ (163,359)
Loss allocated to NCI	$ (39,826)	$ (34,413)
Other comprehensive loss allocated to NCI:		
Currency translation adjustment	(63,612)	(17,381)
Total comprehensive loss allocated to NCI	$ (103,438)	$ (51,794)
Dividends paid to NCI	$ -	$ -

(Expressed in Canadian Dollars)

5. NON-CONTROLLING INTEREST – cont'd

	Nine months ended September 30, 2019	Nine months ended August 31, 2018
Cash flows from operating activities	$ (244,108)	$ (161,429)
Cash flows from investing activities	-	-
Cash flows from financing activities	200,378	-
Net cash outflows	$ (43,730)	$ (161,429)

As at	September 30, 2019	December 31, 2018
Current assets	$ 747,722	$ 846,304
Non-current assets	10,412,716	10,804,896
	11,160,438	11,651,200
Current liabilities	(162,647)	(196,429)
Non-current liabilities	(2,938,092)	(3,050,279)
	(3,100,739)	(3,246,708)
Net assets	$ 8,059,699	$ 8,404,492
Non-controlling interests at 30%	2,417,910	2,521,348
Non-controlling interest non-reciprocal contribution	168,283	168,283
Accumulated non-controlling interests	$ 2,586,193	$ 2,689,631

6. GYPSUM PRODUCTION AND INVENTORY

The Company produces gypsum on its 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, the Company was unable to meet the minimum production requirements for the twelve month period ended June 30, 2019. Management of the Company is currently in discussions with the mining authority regarding the annual minimum production requirements.

During the nine month period ended September 30, 2019, Company sold 59,105 tonnes of gypsum for gross proceeds of $536,968 and produced 4,125 tonnes of gypsum (nine month period ended August 31, 2018: sold 6,221 tonnes of gypsum for gross proceeds of $114,204 and produced 143,890 tonnes of gypsum). As of September 30, 2019, the Company held 119,288 tonnes of gypsum inventory (December 31, 2018: 174,268 tonnes).

As at	September 30, 2019	December 31, 2018
Gypsum inventory	$ 250,674	$ 562,701

Gypsum inventory is valued at the lower of average production cost and estimated net realizable value. Costs include all direct costs incurred in production including direct labour and materials, freight, depreciation and amortization and directly attributable overhead costs.

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost					
Balance, November 30, 2017	$ 45,185	$ 33,951	$ 29,154	$ 19,060	$ 127,350
Additions	-	1,962	1,382	-	3,344
Balance, December 31, 2018	45,185	35,913	30,536	19,060	130,694
Additions	-	-	-	-	-
Balance, September 30, 2019	**$ 45,185**	**$ 35,913**	**$ 30,536**	**$ 19,060**	**$ 130,694**
Accumulated amortization					
Balance, November 30, 2017	$ 33,212	$ 32,390	$ 19,722	$ 14,220	$ 99,544
Charge for period	2,632	714	3,926	2,665	9,937
Balance, December 31, 2018	35,844	33,104	23,648	16,885	109,481
Charge for period	1,999	619	1,174	1,845	5,637
Balance, September 30, 2019	**$ 37,843**	**$ 33,723**	**$ 24,822**	**$ 18,730**	**$ 115,118**
Carrying amounts					
At December 31, 2018	$ 9,341	$ 2,809	$ 6,888	$ 2,175	$ 21,213
At September 30, 2019	**$ 7,342**	**$ 2,190**	**$ 5,714**	**$ 330**	**$ 15,576**

8. GYPSUM MINERAL INTEREST

The Company's mineral interest comprises the gypsum mineral portion of the Bayovar 12 Project interest acquired through a 2015 business combination with JPQ.

As at September 30, 2019 and December 31, 2018, the carrying value for the Company's gypsum mineral interest in JPQ was nil.

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 September 30, 2019, there were no indicators that would have led to a reversal of previous impairment charges.

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs on its mineral properties as at September 30, 2019:

		Bayovar
Balance, November 30, 2017	$	9,842,851
Cumulative translation adjustment		138,284
Balance, December 31, 2018		9,981,135
Cumulative translation adjustment		(303,731)
Balance, September 30, 2019	**$**	**9,677,404**

Bayovar 12 Project

In March 2015, the Company's Peruvian subsidiary, Agrifos Peru, acquired a 70% interest in the issued share capital of JPQ.

Radius Gold Inc. ("Radius") holds a royalty interest equal to 2% of the Company's 70% interest in future phosphate production from the Bayovar 12 Project. The Company and Radius have two common directors and common officers.

10. PHOSPHATE PROPERTY EXPENDITURES

During the nine months ended September 30, 2019 and August 31, 2018, the Company incurred the following expenditures relating to its Bayovar 12 phosphate mineral property which was expensed as incurred:

	Nine months ended			
		September 30, 2019		August 31, 2018
Geological and other consulting (Note 15)	$	121,759	$	202,548
Office and administration		57,647		64,814
Salaries		154,678		226,700
Travel		6,885		20,363
Value added tax		1,364		3,223
	$	**342,333**	**$**	**517,648**

(Expressed in Canadian Dollars)

11. CONVERTIBLE DEBENTURES

	Debt liability component	Derivative liability component	Total
Balance, November 30, 2017	$ -	$ -	$ -
Face value of debenture issued on August 23, 2018	3,604,004	495,679	4,099,683
Face value of debenture issued on August 30, 2018	439,119	60,881	500,000
Transaction costs allocated	(4,903)	-	(4,903)
Fair value adjustment	-	(34,337)	(34,337)
Accretion of interest	51,232	-	51,232
Balance, December 31, 2018	4,089,452	522,223	4,611,675
Fair value adjustment	-	(402,782)	(402,782)
Accrued interest due	243,439	-	243,439
Accretion of interest	116,989	-	116,989
Balance, September 30, 2019	**$ 4,449,880**	**$ 119,441**	**$ 4,569,321**

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 in full a loan facility. 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, including its 70% interest in JPQ.

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 nine months ended September 30, 2019, accretion of interest of $102,585 on the secured convertible debentures was charged to profit or loss and is included in finance expense (nine months ended August 31, 2018: $12,013).

During the nine months ended September 30, 2019, the Company accrued a liability of $243,439 pertaining to interest owing on the secured debentures (nine months ended August 31, 2018: $Nil).

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 nine months ended September 30, 2019, accretion of $14,404 on the unsecured convertible debentures was charged to profit or loss and is included in finance expense (nine months ended August 31, 2018: $182).

During the nine months ended September 30, 2019, the Company recorded $37,397 in obligation to issue common shares pertaining to the interest accrued on the unsecured debentures (nine months ended August 31, 2018: $Nil).

(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.

		September 30, 2019		**December 31, 2018**
Balance, beginning of period	$	79,109	$	169,481
Change in liability estimate		-		(89,336)
Accretion of interest		900		1,232
Foreign exchange adjustment		(4,814)		(2,268)
Balance, end of period	**$**	**75,195**	**$**	**79,109**

13. SHARE CAPITAL AND RESERVES

(a) Common Shares

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

Share capital activity during the nine month period ended September 30, 2019 consisted of the following:

i) On January 17, 2019, the Company closed a private placement of 11,180,000 units at $0.05 per unit for gross proceeds of $559,000, of which $459,000 was received prior to the current period. Each unit consists of one common share and one full share purchase warrant entitling the holder to purchase an additional common share exercisable for one year at a price of $0.05. The Company paid $250 cash as finders' fees in connection with the financing. Other share issuance costs associated with this financing totalled $3,745. Of the $459,000 gross proceeds of the private placement, $391,300 was recorded to share capital and $167,700 allocated to the warrants and recorded in other equity reserve.

(b) Share Purchase Warrants

The following is a summary of changes in warrants from December 1, 2017 to September 30, 2019:

	Number of warrants	**Weighted average exercise price**
Balance, November 30, 2017	30,221,525	$0.43
Issued	28,552,912	$0.08
Balance, December 31, 2018	58,774,437	$0.26
Issued	11,180,000	$0.05
Balance, September 30, 2019	**69,954,437**	**$0.24**

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES – cont'd

(b) Share Purchase Warrants – cont'd

As at September 30, 2019, the following warrants were outstanding:

Expiry date	Number of warrants	Exercise price
January 16, 2020	11,180,000	$0.05
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
	69,954,437	

(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 nine month period ended September 30, 2019:

				During the period				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Expired / forfeited**	**Closing balance**	**Vested and exercisable**
Jan 15, 2009	Jan 14, 2019	$0.76	180,000	-	-	(180,000)	-	-
Jun 29, 2011	Jun 28, 2021	$1.20	18,750	-	-	-	18,750	18,750
Jun 20, 2012	Jun 19, 2022	$0.84	326,250	-	-	-	326,250	326,250
Jul 11, 2012	Jul 10, 2022	$0.84	37,500	-	-	-	37,500	37,500
Dec 18, 2013	Dec 17, 2023	$0.88	565,000	-	-	-	565,000	565,000
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
			1,142,500	**-**	**-**	(180,000)	**962,500**	**962,500**
Weighted average exercise price			**$0.85**	**-**	**-**	**$0. 76**	**$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 nine month periods ended September 30, 2019 and August 31, 2018.

The weighted average remaining contractual life of the options outstanding at September 30, 2019 is 3.61 years (December 31, 2018: 3.68 years).

Expenses Arising from Share-based Payment Transactions

During the nine month period ended August 31, 2018, there was $7,639 in geological and other consulting expense recognized and arising from share-based payment transactions (Note 15).

15. RELATED PARTY TRANSACTIONS

The Company had transactions during the nine month periods ended September 30, 2019 and August 31, 2018 with related parties who consisted 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

Related party transactions for the nine month periods ended September 30, 2019 and August 31, 2018, 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		Nine months ended	
	September 30, 2019	August 31, 2018	September 30, 2019	August 31, 2018
Office and miscellaneous	$ 4,363	$ 4,967	$ 13,536	$ 15,637
Regulatory and stock exchange fees	-	750	1,779	6,252
Rent and utilities	4,318	5,048	13,877	14,840
Salaries and benefits	13,066	16,383	42,674	56,591
Shareholder communication	-	-	592	1,518
Travel and accommodation	122	6,041	1,707	12,009
	$ 21,869	**$ 33,189**	**$ 74,165**	**$ 106,847**

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 September 30, 2019 include $204,291 (December 31, 2018: $54,112) owing from Puerto de Bayovar, a company controlled by the NCI, for gypsum sales.

Prepaid expenses and deposits as of September 30, 2019 include $2,380 (December 31, 2018: $3,181) paid to Gold Group.

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS – cont'd

Long term deposits as of September 30, 2019 consists of $61,000 (December 31, 2018: $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 September 30, 2019 includes $221,088 (December 31, 2018: $144,927) owing to Gold Group, $33,775 (December 31, 2018: $700) owing to Mill Street, a company controlled by the Chief Executive Officer, $60,000 (December 31, 2018: $Nil) owing to the President for project management fees, and $283,532 (December 31, 2018: $Nil) owing to a director of the Company for advances made to 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		Nine months ended	
	September 30, 2019	**August 31, 2018**	**September 30, 2019**	**August 31, 2018**
Management fees	$ 10,500	$ 10,500	$ 31,500	$ 31,500
Geological and other fees[(1)]	-	30,000	60,000	97,639
Salaries and benefits	2,750	4,583	10,542	20,029
	$ 13,250	**$ 45,083**	**$ 102,042**	**$ 149,168**

[(1)] During the period ended August 31, 2018, 87,500 common shares with a fair value of $8,750 were issued to the former President of the Company for services provided and a total of 229,167 common shares with a fair value of $25,208 were issued to the current President of the Company for services provided, of which a total amount of $7,639 was accrued and charged to operations for the period ended August 31, 2018 and $26,319 was charged to operations in the 2017 fiscal year.

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the nine month periods ended September 30, 2019 and August 31, 2018.

(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 identifiable assets by geographic segments are as follows:

Nine months ended September 30, 2019	**Canada**	**Peru**	**Total**
Gypsum revenue	$ -	$ 536,968	$ 536,968
Gypsum production costs	-	779,672	779,672
Phosphate property expenditures	-	342,333	342,333
Amortization	2,091	3,546	5,637
Net loss	(169,159)	(570,367)	(739,526)

Nine months ended August 31, 2018	**Canada**	**Peru**	**Total**
Gypsum revenue	$ -	$ 114,204	$ 114,204
Gypsum production costs	-	261,373	261,373
Phosphate property expenditures	-	517,648	517,648
Amortization	2,224	4,752	6,976
Interest and other income	1,780	-	1,780
Net loss	(825,857)	(736,964)	(1,562,821)
Capital expenditures*	-	3,344	3,344

*Capital expenditures consists of additions of equipment

As at September 30, 2019	**Canada**	**Peru**	**Total**
Total current assets	$ 29,381	$ 778,963	$ 808,344
Total non-current assets	62,178	9,691,802	9,753,980
Total assets	**$ 91,559**	**$ 10,470,765**	**$ 10,562,324**
Total current liabilities	$ 775,846	$ 183,381	$ 959,227
Total non-current liabilities	4,569,321	2,938,092	7,507,413
Total liabilities	**$ 5,345,167**	**$ 3,121,473**	**$ 8,466,640**

As at December 31, 2018	**Canada**	**Peru**	**Total**
Total current assets	$ 135,722	$ 876,893	$ 1,012,615
Total non-current assets	64,269	9,999,079	10,063,348
Total assets	**$ 199,991**	**$ 10,875,972**	**$ 11,075,963**
Total current liabilities	$ 293,372	$ 206,788	$ 500,160
Total non-current liabilities	4,611,675	3,050,279	7,661,954
Total liabilities	**$ 4,905,047**	**$ 3,257,067**	**$ 8,162,114**

(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 September 30, 2019, 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 September 30, 2019, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2019		**December 31, 2018**	
	Peruvian Soles (CDN equivalent)	**US Dollars** (CDN equivalent)	**Peruvian Soles** (CDN equivalent)	**US Dollars** (CDN equivalent)
Cash	$ 7,029	$ 15,053	$ 2,305	$ 3,418
Taxes receivable	221,940	-	212,663	-
Other receivables	2,879	203,940	56,756	-
Liabilities	(183,379)	(277,846)	(206,787)	(13,948)
	$ 48,469	**$ (58,853)**	**$ 64,937**	**$ (10,530)**

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – cont'd

Based on the above net exposures at September 30, 2019, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in an increase or decrease of approximately $1,000 (December 31, 2018: $5,400) 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 probable losses and provides a provision for losses based on the estimated realizable value.

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 September 30, 2019, the Company had a working capital deficiency of $150,883 (December 31, 2018: working capital of $512,455). All of the Company's short-term financial liabilities as of September 30, 2019 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 September 30, 2019:

		1 year		**2 years**		**Total**
Accounts payable and accrued liabilities	$	959,227	$	-	$	959,227
Convertible debentures		243,439		4,568,466		4,811,905
	$	1,202,666	$	4,568,466	$	5,771,132

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 payables 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 September 30, 2019. 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, gypsum extraction costs and annual fees to keep the Bayovar 12 Project in good standing, and any property 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 nine month period ended September 30, 2019, cash paid for loan interest totaled $Nil (nine month period ended August 31, 2018: $338,597).

During the nine month periods ended September 30, 2019 and August 31, 2018, there was no cash paid for income taxes.

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.

During the nine month period ended August 31, 2018 a total of 316,666 common shares with a value of $33,958 were issued for geological and management fees (Note 15).

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 May 7, 2039.

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 must refund Fospac 50% of the consideration. There is no refund obligation after the tenth year.

CROPS Inc.

(the "Company")

(formerly Focus Ventures Ltd.)

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the nine months ended September 30, 2019

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 nine months ended September 30, 2019 and August 31, 2018. The following information, prepared as of November 26, 2019, should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for nine months ended September 30, 2019 and August 31, 2018 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 thirteen months ended December 31, 2018 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The September 30, 2019 condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

Effective 2018, the Company changed its financial year end from November 30 to December 31. Accordingly, the comparative period for the nine months ended September 30, 2019 is the nine months ended August 31, 2018.

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 include, without limitation, statements relating to:

- mineral reserves and resources as they involve the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated and can be profitably produced in the future;
- the Company's planned exploration, development and marketing activities for the Bayovar 12 Project;
- the intended use of proceeds received from recent financing activities;
- the sufficiency of the Company's cash position and its ability to raise equity capital or access debt facilities; and
- maturities of the Company's financial liabilities or other contractual commitments.

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:

- uncertainty of mineral reserve and resource estimates;
- risks associated with mineral exploration and project development;
- fluctuations in commodity prices;
- fluctuations in 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;
- local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions.

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:

- 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 labour, supply, power, damage to equipment or other matter;
- permitting, exploration and development activities proceeding on a basis consistent with the Company's current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates;
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels; and
- the accuracy of the Company's current mineral resource estimates.

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.

Cautionary Note to United States Investors Concerning Estimates of Reserves and Resources

Reserve and resource estimates included in this Interim MD&A have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy, and Petroleum Definition Standards on Mineral Resources and Mineral Reserves. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for public disclosure by a Canadian company of scientific and technical information concerning mineral projects. Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and reserve and resource information contained in this Interim MD&A may not be comparable to similar information disclosed by U.S. companies. In particular, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. You are cautioned not to assume that resources will ever be converted into reserves. You should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. You should also not assume that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. You are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth in this Interim MD&A may not be comparable with information made public by companies that report in accordance with U.S. standards.

Business of the Company

The Company is engaged in the development of its 70% owned Bayovar 12 phosphate project located in the Sechura desert of northern Peru. Bayovar 12 is potentially an important South American source of reactive phosphate rock for use as a direct application fertilizer. The development of new supplies of phosphate is becoming an increasingly important issue for South America given the growing demand and limited supply of phosphate for fertilizer production on the continent, and the current heavy reliance on imported rock. As well, elemental phosphorus from Bayovar 12 can be used in various industrial applications.

In early 2016, the Company announced the results of its prefeasibility study on the Bayovar 12 Project. The Company subsequently engaged third party mining consultants to undertake an independent review of the study's mine plan and production schedule, with a goal of optimizing the project economics. Following this review, an updated prefeasibility study was filed on SEDAR on June 30, 2016.

In January 2019, the Company completed a private placement financing of 11,180,000 units at $0.05 per unit, to raise proceeds of $559,000 for general working capital.

Bayovar 12 Phosphate Project

The Company's Peruvian subsidiary, Agrifos Peru S.A.C., owns a 70% interest in Juan Paulo Quay S.A.C., the titleholder of the Bayovar 12 phosphate mining concession (the "Bayovar 12 Project").

The Bayovar 12 Project is located 70 kilometres south of the city of Piura in northern Peru, close to Vale's operating Bayovar phosphate mine. Logistics for the 12,575 hectare concession are excellent, and the project area is accessible year round via a series of sealed roads and highways. The Pan-American Highway crosses the eastern end of the property and the Chiclayo-Bayovar road transects the property. A network of un-maintained drill roads and access roads for small surface gypsum mining operations provide four wheel drive vehicle access to the remainder of the property. Power transmission lines for Vale's Bayovar Mine, located 15 kilometres to the southwest, transect the Bayovar 12 Project at its northern end.

In order to keep the Bayovar 12 concession in good standing, the Company must extract a minimum of 80,000 tonnes of gypsum from the property each twelve month period ending June 30th and also pay annual fees to the Peru mining authority and Sechura community. Based on a minimum extraction level of

80,000 tonnes, annual fees total approximately US$210,000. The Company must also cover 70% of the costs of mining the gypsum and 100% of all royalties from any sales and all licence fees related to the concession.

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, the Company was unable to meet the minimum production requirements for the twelve month period ended June 30, 2019. Management of the Company is currently in discussions with the mining authority regarding the annual minimum production requirements.

During the nine month period ended September 30, 2019, the Company sold 59,105 tonnes of gypsum and produced 4,125 tonnes of gypsum, resulting in an inventory of 119,288 tonnes as of September 30, 2019.

Reactive Phosphate Rock ("RPR")

Most phosphate rock, roughly 85% of global mine production, is used in the manufacture of water-soluble fertilizers or food-grade chemicals. However, some phosphate rock is reactive enough- usually because the phosphorus mineral apatite contains carbonate in its structure - that under certain soil and climate conditions it can simply be used as a fertilizer and applied directly to the soil without further processing. Known as RPR (Reactive Phosphate Rock), this naturally occurring phosphate rock can be used as a reliable, low cost slow-release source of phosphorus (P) continuously adding P to the soil over a longer period of time than some manufactured fertilizers. RPR works best on acid soils with 600-700 millimetres of annual rainfall. Rock from the Bayovar district, known in the fertilizer industry as Sechura Phosphate Rock, is one of a small number of highly reactive phosphate rocks known globally that are suitable for use as a direct application fertilizer.

Mining and processing of RPR is simpler and cheaper than the manufacture of more complex fertilizers. The rock is mined, usually crushed and sieved into different size fractions, and sometimes washed or made into granules for ease of handling and use. The main perceived cost advantages of RPR over processed phosphates are therefore lower capital investment, lower processing costs, lower use of raw materials, and lower energy use during processing.

Prefeasibility Study

In January 2016, the Company announced the results of the independent NI 43-101 pre-feasibility study on the Bayovar 12 Project. The Company subsequently engaged third party mining consultants to undertake an independent review of the study's mine plan and production schedule, with a goal of optimizing the project economics. Following this review, an updated pre-feasibility study ("Updated PFS") was filed on SEDAR on June 30, 2016 and is available on our website www.crop2o5.com.

The Updated PFS includes the following key changes-in-scope over the earlier pre-feasibility study:

- one large processing plant instead of the staged commissioning of two smaller ones.
- owner-operated instead of contractor-operated overburden stripping.
- doubling of pre-production overburden stripping.
- a simplified mine plan and production schedule.
- larger and more efficient loading and hauling equipment.
- a more logical and staged buildout of the tailings storage facility.

These changes-in-scope increased capital cost, decreased operating cost and in turn significantly improved the financial performance of the project including payback in 3.9 years and an after-tax net present value$_{7.5}$ of US$458 million. Detailed highlights and a comparison of the Updated PFS results with the earlier study are set out in the following table:

Life-of-Mine Highlights and Comparison with PFS

Item	Updated PFS (US$)	PFS (US$)	Variance %
Financial Model			
After-Tax $NPV_{7.5}$, $M	**457.7**	**252.9**	**+ 81.2**
IRR, %	**26.3**	**17.2**	**+ 53.5**
Payback, years	**3.9**	**6.6**	**- 40.9**
Capital Cost, $M	**167.7**	**127.3**	**+ 31.7**
Sustaining Capital, $M	**193.6**	**230.3**	**- 15.9**
Undiscounted Cash Flow, $M	**1,150.9**	**846.9**	**+ 35.9**
Product Price Deck, $/t	**$145/$185**	**$145/$185**	**-**
Open Pit Mine			
Life, years	20	20	-
Waste, Mt	422.5	367.6	+ 14.6
Ore, Mt	58.8	52.3	+ 12.4
Waste/Ore	7.2	7.1	-
Pre-Production Waste, Mt	23.9	12.4	+ 92.7
Cash Cost Ore, $/t mined	13.92	19.51	- 24.7
Cash Cost Product, $/t	39.72	52.28	- 24.7
Process Plant			
Tonnage Processed, M	58.8	52.3	+ 12.4
Tonnage Product, M	20.8	18.5	+ 12.4
Tonnage Product Years 1-5, M	4.75	3.50	+ 35.7
Cash Cost Product, $/t	8.01	10.49	- 23.6
Total Project			
Cash Cost Product, $/t	60.20	75.44	- 20.2
Cash Margin Product, $/t	104.80	89.56	+ 17.1

Project Description

The Bayovar 12 Project is a conventional truck-loader open pit mine and a process plant that is designed to produce 24% and 28% P_2O_5 direct application phosphate rock fertilizer (“DAPR”) “products”. Phosphate ore will be mined at a rate of 8,000 tonnes per day from 13 overburden-covered and laterally-continuous sedimentary phosphate beds, interlayered with diatomite waste or “interburden”. Overburden, interburden and phosphate ore are free-digging and do not require drilling or blasting. Ongoing back-filling of the open pit is an integral part of a mine plan that is designed for progressive closure. The average Waste/Ore (“W/O”) ratio is 7.2/1.

The beneficiation process is simple and chemical-free using sea-water washing, scrubbing and de-sliming. Solid tailings and waste water will be stored in an adjacent tailings-evaporation pond (“TSF”). Fertilizer product will be trucked 40 kilometres to a dedicated seaborne loading facility.

The project is in an established phosphate mining district. At full capacity it will produce 1 million tonnes of fertilizer product per year over an initial mine life of 20 years and will supply a rapidly-growing market for natural and plant-ready DAPR products.

Mineral Resource and Reserve Estimates

A systematic and wide-spaced 62-hole, 5,971 metre diamond drilling program delineated a continuous 34 km^2 near-surface diatomite sequence containing 13 flat-lying sedimentary phosphate beds. These beds are open to extension over the remaining 91 km^2 of the concession.

In order to support the PFS Mineral Resource Estimate, IMC completed a review of the geology and resource block models. IMC then developed an independent Reserve Estimate through the construction of a 20-year open pit shell contained within the Mineral Resource model and based on DAPR prices of $145/t and $185/t for 24% and 28% P_2O_5 products, respectively. **The reader is cautioned that Mineral Resources that are not mineral reserves do not have demonstrated economic viability.** In addition, the reader is reminded that the reported Mineral Resource is inclusive of the open pit-constrained Mineral Reserve.

Bayovar 12 Mineral Resources and Reserves Estimates (Dry Tonnes)

Resources*	**Tonnes, M**	**% P_2O_5**
Measured	17.7	13.16
Indicated	209.5	13.04
Inferred	102.2	13.11
Reserves	**Tonnes, M**	**% P_2O_5**
Proven	14.4	12.74
Probable	44.4	13.00
Total Reserves	**58.8**	**12.94**

* Minimum thickness, grade cut-off and other mining parameters were not applied. Resource Estimation includes 16 phosphate beds. Reserve Estimation considers the uppermost 13 phosphate beds.

Marketing

Extensive testwork has been completed by third parties on the effectiveness of Sechura RPR as a direct application fertilizer on different crops and soil types. Both the International Fertilizer Development Center in the US and the New Zealand Ministry of Agriculture and Fisheries has carried out research into its use on a variety of soil types and crop species. One of the key findings from the New Zealand work was that the ongoing use of RPR produces a reservoir of residual phosphorus in the soil, due to the build-up of reserves of slow dissolving RPR over the first few years, after which the release-rate of phosphorus comes into equilibrium with the application rate. This 'residual effect' provides a major income benefit to farmers during periods when lower farm incomes restrict fertilizer inputs.

In January 2018, the Company announced an update on test work at the Bayovar 12 Project and product marketing. The Company had received the results of recent beneficiation work completed by Jacobs Engineering Group Inc. Jacobs conducted bench scale testing on phosphate beds from the Bayovar 12 deposit based on the beneficiation flowsheet developed by Jacobs from previous test work done for the Company.

The test work produced three concentrates which are classified in the high solubility rock range and suitable for use as a direct application fertilizer for organic farmers. Additionally, the P_2O_5 grade obtained for each product is suitable for production of phosphoric acid fertilizer with a MER less than 0.1 and with commercially acceptable levels of impurities.

The beneficiation test work flowsheet was based on the following steps:

- Drum scrubbing
- De-sliming at 270 mesh
- Attrition scrubbing the +270 mesh

- Sizing the attrition product at 28 mesh
- Attrition scrubbing the +28 mesh followed by desliming at 270 mesh
- Sizing the -28 mesh fraction at 100 mesh followed by desliming the -100 mesh fraction at 270 mesh
- Two wash products are generated: +28 mesh and -28/+100 mesh
- The -100/+270 mesh fraction is the flotation feed
- Reverse flotation for silica removal
- Filtration with fresh water rising step to remove chlorines
- Drying

The main purpose of the test work was to generate a washed product (+100 mesh material) from each composite. Further representative sampling and tests will be performed when the Company conducts a bankable feasibility study on Bayovar 12.

In addition to generating washed product, the sized material from high grade and low grade composites (-100/+270 mesh) was combined and tested for flotation.

The test work showed that head assay of the high grade composite was 17.4% P_2O_5 and 29.7% acid insoluble (Al or Silica), and the low grade composite was 13.6% P_2O_5 and 35.7% acid insoluble. Detailed results were:

1. The overall wash product +100 mesh (+28 and 28/100 mesh) produced from high grade composite assayed 30.1% P_2O_5 and 3.9% Al with 25.6% weight recovered and 44.3% phosphate recovery. The low grade composite assayed 29.4% P_2O_5 and 5.6% Al with 15.3% weight recovered and 33.2% phosphate recovery.

2. The overall flotation product from the combined feed of high and low grade material assayed 30.46% P_2O_5 and 4.45% Al with 80.0% weight recovered and 94.6% phosphate recovery of the flotation feed.

The results indicate that Bayovar 12 rock phosphate 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). Key drivers of global P_4 demand are the flame and fire retardant chemical business, and engine lubricant industries. Developing a P_4 producing unit at Bayovar would utilize an important percentage of the Pre-Feasibility study annual production and lower the volume of exported rock phosphate to the international phosphate fertilizer market(s), as this industry remains balanced to soft.

Over the past year, the Company has been in discussions with several important consumers and producers of P_4. Key outcomes of this process have confirmed that P_4 consumers in Asia, North America and Europe have growing demand for reliable and good quality P_4 supply and that production caps, environmental legislation and export duties in China and Vietnam negate any supply expansion. Key consumers are large integrated speciality chemical companies either publicly listed or owned by private equity.

Qualified Person: *Mr. David Cass, a Director of the Company, is a member of the Association of Professional Engineers and Geoscientists of British Columbia and the Company's Qualified Person as defined by National Instrument 43-101, and is responsible for ensuring that the technical information contained in this Interim MD&A is an accurate summary of the original reports and data provided to or developed by the Company.*

Selected Quarterly Information

The following table provides information for the eight fiscal quarters ended September 30, 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 ($)	Second Quarter ended May 31, 2018 ($)	First Quarter ended Feb. 28, 2018 ($)	Fourth Quarter ended Nov. 30, 2017 ($)
Gypsum revenue	309,980	114,305	112,683	59,118	112,608	1,596	-	294,452
Total interest and other income	-	-	-	-	-	420	1,360	1,940
Gypsum production expenses	347,292	282,169	150,211	131,823	139,681	78,398	43,294	576,640
Phosphate exploration expenditures	45,027	142,982	154,324	209,630	151,372	199,655	166,621	286,771
Loss attributed to equity shareholders of the Company								
Total	(169,545)	(121,002)	(409,153)	(1,165,695)	(407,458)	(653,297)	(467,653)	(1,036,227)
Basic & diluted loss per share	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)

Gypsum revenue and production expenses relate to the gypsum operation which consists of extraction costs, costs needed to keep the Bayovar 12 Project concession in good standing, and other operating costs. Gypsum production expenses can still be incurred during periods when there is no extraction activity. The loss attributable to equity shareholders of the Company during the four month period ended December 31, 2018 was higher than all quarters presented due to an impairment of goodwill charge of $430,988 and a loss on extinguishment of long-term debt of $438,937 while the loss for the quarter ended November 30, 2017 was higher than most quarters due to more gypsum production expenses.

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 September 30, 2019

For the quarter ended September 30, 2019, the Company had a net loss of $169,545 compared to a net loss of $407,458 for the quarter ended August 31, 2018, a decrease of $237,913. Part of this decrease is due to the current quarter recording a fair value adjustment gain of $127,265 on derivative liabilities compared to $3,023 for the comparative quarter. As well phosphate property expenditures for the current quarter of $45,027 were less than the $151,372 incurred in the comparative quarter.

General and administrative expenses during the current quarter were $179,201 compared to $203,219 for the comparative quarter, a decrease of $24,018. Significantly impacting both the current and comparative quarters were finance expenses of $135,492 and $148,841, respectively. The finance expense for the current quarter is related to accretion of convertible debenture interest while the expense for the comparative quarter is related to a former loan facility which included interest charges and accretion of capitalized transaction costs. All other general and administrative expenses, with the exception of office and miscellaneous were either similar or lower for the current quarter as a result of cost cutting efforts.

Nine months ended September 30, 2019

For the nine month period ended September 30, 2019, the Company had a net loss of $699,700 compared to a net loss of $1,528,408 for the nine month period ended August 31, 2018, a decrease of $828,708. As with the quarterly comparison, the current period recorded a fair value adjustment gain of $402,782 on derivative liabilities compared to $3,023 for the comparative period. The current period also recorded a foreign exchange gain of $20,854 compared to a foreign exchange loss of $122,904 for the comparative period. As well, phosphate property expenditures for the current period were $175,315 less than that for the comparative period. The gypsum operation for the current period resulted in recorded revenue of $536,968 and gypsum operation costs of $779,672, the net cost of which was higher than that for the comparative period which recorded revenue of $114,204 and gypsum operation costs of $261,373.

General and administrative expenses during the current period were $577,225 compared to $778,979 for the comparative period, a decrease of $201,754. Significantly impacting both the current and comparative periods, as with the quarterly comparison, were finance expenses of $397,825 and $525,437, respectively. Similar to the quarterly comparison, other general and administrative expenses, with the exception of shareholder communications, were either similar or lower for the current period as a result of cost cutting efforts. The most notable cost decrease was in accounting and legal costs due to a reduction in audit fees.

Financial Condition, Liquidity and Capital Resources

The Company had cash resources of $24,560 and a working capital deficiency of $150,883 as of September 30, 2019 compared to cash resources of $77,629 and working capital of $512,455 at December 31, 2018.

In March 2015, the Company received the Sprott Loan facility of $6,231,500 (US$5,000,000), of which a repayment of $670,450 (US$500,000) was made in March 2017. In August 2018, the outstanding principal and accrued interest balance of $4,068,465 (US$3,114,019) was paid in full by issuing secured convertible debentures and 25,427,912 share purchase warrants to Sprott.

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 consists of one common share of the Company and one share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at $0.05 for one year from closing. These proceeds were allocated to maintaining and marketing of the Bayovar 12 Project and general working capital purposes.

As of September 30, 2019, working capital includes 119,288 tonnes of gypsum inventory with a carrying cost of $250,674. During the period ended September 30, 2019, the Company sold 59,105 tonnes of gypsum for gross recorded revenue of $536,968. The Company continues to pursue opportunities to sell its gypsum inventory.

The Company does not expect its current capital resources to be sufficient to cover its corporate operating costs, gypsum extraction costs and annual fees to keep the Bayovar 12 Project in good standing, and any property 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. 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.

Related Party Transactions

See Note 15 of the condensed interim consolidated financial statements for the nine months ended September 30, 2019 and August 31, 2018 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 Options

The Company's outstanding share position as at the date of this Interim MD&A 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
11,180,000	$0.05	January 16, 2020
4,668,000	$0.80(1)	November 11, 2020
25,427,912	$0.08	August 23, 2021(2)
3,125,000	$0.08	August 30, 2021(3)
25,553,525	$0.40	March 22, 2022
69,954,437		

(1) The exercise price for these warrants was $0.60 until November 11, 2018 and then $0.80 until November 11, 2020.

(2) 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.

(3) 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 shares issuable	Conversion rate	Expiry date
40,684,660(1)	$0.10	August 23, 2021
5,000,000(2)	$0.10	August 30, 2021
57,105,824		

(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
326,250	$0.84	June 19, 2022
37,500	$0.84	July 10, 2022
565,000	$0.88	December 17, 2023
11,250	$0.88	January 14, 2024
3,750	$1.04	June 4, 2024
962,500		

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 thirteen months ended December 31, 2018. The following outlines the new accounting standards and amendments adopted by the Company effective January 1, 2019:

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

On December 8, 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IFRS 9 Financial Instruments

The Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not have a material impact the Company's classification and measurement of financial assets and liabilities. The standard also had no impact on the carrying amounts of our financial instruments as at the transition date of January 1, 2019.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The adoption of IFRS 15 did not have a material impact on the Company's condensed consolidated interim financial statements.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard was effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 did not have a material impact on the Company's condensed consolidated interim financial statements.

Risks and Uncertainties

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. At present, the Company's Bayovar 12 Project does not have a known commercially viable ore deposit, with the exception of a small gypsum surface mining operation on the property. The Company's mineral property is also located in an emerging nation and consequently may be subject to a higher level of risk compared to developed countries. 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 phosphate 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 its mineral property to a third party and gypsum price declines could impact the Company's ability to sell its gypsum inventory.

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 is currently 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. The Company's property interests and proposed exploration activities 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 for the most part it incurs its 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.