



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Presented in Canadian Dollars)

FOR THE QUARTERS ENDED MARCH 31, 2020 AND 2019

FENGRO INDUSTRIES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars) - unaudited

AS AT	March 31, 2020	September 30, 2019
ASSETS		
Current		
Cash	\$ 53,683	\$ 53,634
Goods and services tax receivable	1,634	2,861
Prepaid expenses and deposits	-	18,228
Assets held for sale (Note 3)	-	2,366,107
	55,317	2,440,830
Property, equipment and mining properties (Note 6)	-	1,668
Total assets	\$ 55,317	\$ 2,442,498
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 130,885	\$ 386,289
Convertible debenture (Note 11)	-	1,248,708
Loans payable (Note 12)	230,988	223,705
Advance received on disposal of subsidiary (Note 3)	-	168,345
Liabilities held for sale (Note 3)	-	2,047,807
Total liabilities	361,873	4,074,854
Shareholders' deficiency		
Share capital (Note 14)	35,341,401	33,517,917
Equity reserve	4,291,986	4,291,986
Accumulated other comprehensive loss (Note 3)	-	(1,428,954)
Deficit	(39,939,943)	(38,013,305)
Total shareholders' deficiency	(306,556)	(1,632,356)
Total liabilities and shareholders' deficiency	\$ 55,317	\$ 2,442,498

Nature of business and going concern (Note 1)
Subsequent events (Note 19)

The Directors approved and authorized these financial statements on May 21, 2020 and are signed on its behalf by:

"Duane Lo" Director "Peter Ruxton" Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

FENGRO INDUSTRIES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Presented in Canadian Dollars) - unaudited

	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2020	2019	2020	2019
Revenue	\$ -	\$ 178,143	\$ 568,760	\$ 603,326
Cost of goods sold	-	(137,633)	(260,414)	(497,847)
Depreciation and depletion	-	(14,758)	(12,235)	(30,892)
	-	25,752	296,111	74,587
Expenses				
Accounting	5,000	8,008	20,439	97,517
Bad debt expense	-	12,939	-	26,625
Conference	-	-	-	226
Consulting fees	-	2,874	3,953	27,756
Depreciation (Note 6)	-	7,658	1,668	15,406
Director fees (Note 15)	-	22,865	-	47,865
Insurance	19,824	8,368	40,812	16,972
Legal fees	31,947	17,563	59,829	35,263
Management fees (Note 15)	15,000	30,000	21,125	63,000
Office and miscellaneous	2,681	113,549	32,738	184,973
Rent	-	30,992	3,808	52,848
Salaries (Note 15)	260,260	309,270	281,383	564,447
Selling	-	31,444	45,879	88,948
Shareholder communication	2,883	8,607	2,883	14,607
Share-based compensation (Note 14)	-	17,879	-	61,557
Transfer agent & filing fees	10,043	12,109	16,394	12,743
Travel	-	28,219	1,903	72,354
	(347,638)	(662,344)	(532,814)	(1,383,107)
Loss before other items	(347,638)	(636,592)	(236,703)	(1,308,520)
Other items				
Loss on sale of assets (Note 3)	(1,634,136)	-	(1,634,136)	-
Finance cost (Note 16)	(39,838)	(91,811)	(76,567)	(180,083)
(Loss) gain on reversal of provisions	(24,860)	-	7,458	-
Gain (loss) on foreign exchange	14,781	(12,703)	13,310	(4,889)
Net loss	(2,031,691)	(741,106)	(1,926,638)	(1,493,492)
Other comprehensive loss				
Items that may be reclassified subsequent to income or loss				
Currency translation differences of foreign operations	1,422,882	(42,355)	1,428,954	159,892
Comprehensive loss	\$ (608,809)	\$ (783,461)	\$ (497,684)	\$ (1,333,600)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Weighted average number of shares outstanding – basic and diluted	119,900,352	50,051,985	84,976,168	50,051,985

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

FENGRO INDUSTRIES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Presented in Canadian Dollars) - unaudited

For the six months ended March 31,	2020	2019
CASH FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,926,638)	\$ (1,493,492)
Items not affecting cash:		
Finance cost – asset retirement obligation accretion	1,313	1,605
Finance cost – convertible debenture	64,776	64,615
Finance cost – finance lease obligations	-	5,965
Finance cost – interest on lease	1,579	-
Finance cost – accretion of acquisition payable	-	6,527
Finance cost – accrued interest on loan payable	7,283	356
Reversal of provisions	(7,458)	-
Depreciation and depletion	13,903	46,298
Share-based compensation	-	61,557
Loss on sale of assets	1,634,136	-
Changes in non-cash working capital items:		
Receivable	(237,974)	113,071
Prepaid expenses and deposits	(21,184)	12,993
Inventories	-	(49,576)
Deferred revenue	225,365	1,755
Accounts payable	(346,589)	627,252
Net cash used in operating activities	(591,488)	(601,074)
CASH FROM INVESTING ACTIVITIES		
Advance received on disposal of subsidiary	79,408	-
Acquisition of property, equipment and mining properties	-	(2,039)
Net cash from (used in) investing activities	79,408	(2,039)
CASH FROM FINANCING ACTIVITIES		
Issuance of common shares	510,000	-
Loans received	-	125,000
Repayment of lease obligations	-	(11,775)
Net cash from financing activities	510,000	113,225
Change in cash during the period	(2,080)	(489,888)
Effect of foreign exchange on cash	2,129	12,602
Cash, beginning of the period	53,634	559,448
Cash, end of the period	\$ 53,683	\$ 82,162

See Note 18 for supplemental cash flow information

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

FENGRO INDUSTRIES CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Presented in Canadian Dollars) - unaudited

	Number of shares	Share Capital	Equity reserve	Deficit	Accumulated other comprehensive loss	Shareholders' equity (deficiency)
Balance, September 30, 2018	50,051,985	\$ 33,517,917	\$ 4,202,702	\$ (34,833,728)	\$ (1,554,860)	\$ 1,332,031
Share-based compensation	-	-	61,557	-	-	61,557
Net loss for the period	-	-	-	(1,493,492)	-	(1,493,492)
Currency translation differences	-	-	-	-	159,892	159,892
Balance, March 31, 2019	50,051,985	33,517,917	4,264,259	(36,327,220)	(1,394,968)	59,988
Share-based compensation	-	-	27,727	-	-	27,727
Net loss for the period	-	-	-	(1,686,085)	-	(1,686,085)
Currency translation differences	-	-	-	-	(33,986)	(33,986)
Balance, September 30, 2019	50,051,985	33,517,917	4,291,986	(38,013,305)	(1,428,954)	(1,632,356)
Issuance of common shares, convertible debt	5,472,851	1,313,484	-	-	-	1,313,484
Issuance of common shares for cash, net of costs	102,000,000	510,000	-	-	-	510,000
Net loss for the period	-	-	-	(1,926,638)	-	(1,926,638)
Currency translation differences on disposal of subsidiary	-	-	-	-	1,428,954	1,428,954
Balance, March 31, 2020	157,524,836	\$ 35,341,401	\$ 4,291,986	\$ (39,939,943)	\$ -	\$ (306,556)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

FENGRO INDUSTRIES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

1. NATURE OF BUSINESS AND GOING CONCERN

Fengro Industries Corp. (the “Company”) was incorporated on March 11, 2004 under the laws of the Province of British Columbia. The Company was engaged in production of phosphate fertilizers, and acquiring, exploring and evaluating mineral properties in Brazil. The Company’s shares are publicly traded on the TSX Venture Exchange under the symbol FGR. The address of the Company’s corporate office is Suite 1100, 1111 Melville Street, Vancouver, British Columbia, Canada.

On October 1, 2014, the Company commenced production of Direct Application Natural Fertilizer (“DANF”) phosphate rock products on the Santiago claim of the Bonfim Project located in the state of Tocantins, Brazil. While the Company has used its best efforts to achieve its business plans by examining various financing alternatives, including raising additional equity financing, estimating future exercises of options and warrants, and considering the cash likely to be generated from future sales, the Company required additional financing for use in operations of its Campos Belos plant and processing facility to the planned capacity. Given difficulties in raising additional equity or other capital, the Company entered into a Share Purchase and Sale agreement and sold the subsidiaries that held its Brazilian assets and liabilities (Note 3) due to the ongoing working capital requirements necessary to continue operations and also repay the outstanding liabilities in Brazil.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business, results of operations and the timing of proposed transactions at this time.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has a working capital deficiency of \$306,556 and accumulated losses of \$39,939,943. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

These condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPERATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the IASB. Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended September 30, 2019. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 28, 2020.

Basis of Presentation

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

FENGRO INDUSTRIES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

IFRS 16 Adoption

Effective October 1, 2019, the Company has adopted IFRS 16 using the modified retrospective application method where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on October 1, 2019 for any differences identified, including adjustments to opening shareholders' deficiency balance.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-to-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, the Company (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (ii) recognizes the depreciation of ROU assets and interest on lease liabilities in the condensed consolidated interim statement of comprehensive income (loss); and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the condensed consolidated interim statement of cash flows.

In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they contain a lease arrangement. As at October 1, 2019, the Company does not have any leases on its condensed consolidated interim statement of financial position.

3. ASSETS HELD FOR SALE

During the year ended September 30, 2019, the Company entered into a share purchase and sale agreement with Geofoscal Comércio, Indústria, Representações e Transporte de Produtos Agropecuários Ltda. ("Geofoscal") to sell the totality of its interest in the shares of its wholly owned subsidiaries, DuSolo and P-TEC (the "Transaction") for consideration of R\$ 1,000,000 in accordance with the following schedule:

- a) R\$500,000 (\$168,345) on the execution of the agreement which was received during the year ended September 30, 2019.
- b) R\$250,000 on October 15, 2019 (received); and
- c) R\$250,000 on December 13, 2019 (received January 24, 2020 less closing costs of R\$80,000)

In addition to the consideration, the agreement includes a 10 year "tail" whereby if Geofoscal transfers any of its interest in the assets to a third party for a gain of net proceeds, the Company shall be entitled to 50% of such gain of net proceeds.

Management determined the assets and liabilities of DuSolo and PTEC meet the definitions of assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Consequently, assets and liabilities of DuSolo and PTEC were classified as a disposal group.

In accordance with IFRS 5, on the reclassification of disposal groups as assets held for sale and discontinued operations, the Company remeasured the net assets of DuSolo and PTEC to fair value less costs of disposal. During the year ended September 30, 2019, an impairment of \$1,612,149 was recognized against exploration and evaluation assets (Note 7), which is included in the statement of comprehensive loss for the year ended September 30, 2019.

The Transaction was completed on January 24th, 2020 and the Company recognized a loss on sale of assets of \$1,634,136, which included accumulated other comprehensive loss of \$1,428,954 related to the cumulative translation allowance on the Company's disposal group.

FENGRO INDUSTRIES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

	September 30, 2019
Assets held for sale	
Cash	\$ 41,890
Current portion of accounts receivable (Note 4)	332,553
Inventory (Note 5)	238,143
Prepaid expenses and deposits	62,080
	<u>674,666</u>
Accounts receivable (Note 4)	367,560
Property, equipment, and mining properties (Note 6)	770,128
Exploration and evaluation assets (Note 7)	553,753
	<u>2,366,107</u>
Total assets held for sale	\$ 2,366,107
Liabilities held for sale	
Accounts payable and accrued liabilities (Note 8)	\$ 1,900,392
Current portion of finance lease obligation (Note 10)	29,382
Deferred revenue	82,376
	<u>2,012,150</u>
Asset retirement obligation (Note 13)	25,174
Finance lease obligation (Note 10)	10,483
	<u>2,047,807</u>
Total liabilities held for sale	\$ 2,047,807

4. ACCOUNTS RECEIVABLE

	March 31, 2020	September 30, 2019
Trade receivables	\$ -	\$ 305,645
Brazilian tax receivable	-	394,468
	-	700,113
Non-current portion transferred to assets held for sale (Note 3)	-	(367,560)
Current portion transferred to assets held for sale (Note 3)	-	(332,553)
Current portion	\$ -	\$ -

5. INVENTORY

	March 31, 2020	September 30, 2019
Finished products	\$ -	\$ 175,523
Process material stockpiles	-	62,620
Transferred to assets held for sale (Note 3)	-	(238,143)
Total	\$ -	\$ -

FENGRO INDUSTRIES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

6. PROPERTY, EQUIPMENT, AND MINING PROPERTIES

	Leasehold Improvement	Office furniture and equipment	Processing and field equipment	Computer equipment and software	Vehicles under finance lease	Mining properties	Total
Cost							
Balance, September 30, 2018	\$ 6,377	\$ 11,450	\$ 289,435	\$ 27,966	\$ 234,477	\$ 701,980	\$ 1,217,685
Current year additions	-	2,001	-	-	-	-	2,001
Movement in foreign exchange	(73)	(224)	(3,327)	113	(2,694)	(8,066)	(14,271)
Transferred to assets held for sale (Note 3)	(6,304)	(8,512)	(286,108)	(24,743)	(231,783)	(693,914)	(1,251,364)
Balance, September 30, 2019	-	4,715	-	3,336	-	-	8,051
Current year additions	-	-	-	-	-	-	-
Movement in foreign exchange	-	-	-	-	-	-	-
Balance, March 31, 2020	-	4,715	-	3,336	-	-	8,051
Accumulated Depreciation							
Balance, September 30, 2018	6,377	6,218	113,232	14,890	160,648	95,499	396,864
Depreciation expense	-	1,133	30,885	5,960	22,692	41,626	102,296
Movement in foreign exchange	(73)	(87)	(3,575)	(126)	(3,517)	(2,158)	(11,541)
Transferred to assets held for sale (Note 3)	(6,304)	(2,549)	(140,542)	(19,056)	(179,823)	(134,967)	(481,236)
Balance, September 30, 2019	-	4,715	-	1,668	-	-	6,383
Depreciation expense	-	-	-	1,668	-	-	1,668
Movement in foreign exchange	-	-	-	-	-	-	-
Balance, March 31, 2020	-	4,715	-	3,336	-	-	8,051
Carrying value, September 30, 2019	\$ -	\$ -	\$ -	\$ 1,668	\$ -	\$ -	\$ 1,668
Carrying value, March 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FENGRO INDUSTRIES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

7. EXPLORATION AND EVALUATION ASSETS

The schedule below summarizes the carrying costs of acquisition costs and all deferred exploration costs incurred to date for the Company's mineral property interests:

	March 31, 2020	September 30, 2019
Balance, opening	\$ -	\$ 2,568,138
Current year additions	-	-
Total exploration and evaluation expenditures	-	2,568,138
Movement in foreign exchange	-	133,353
Disposals	-	(535,589)
Impairment write-down	-	(1,612,149)
Transferred to assets held for sale (Note 3)	-	(553,753)
Balance, closing	\$ -	\$ -

Bonfim Property

During the year ended September 30, 2012, the Company entered into an investment agreement to acquire mineral claims in an area located in the state of Tocantins, Brazil ("Bonfim property" or "Bonfim"). Under the agreement, the Company acquired a 75% interest in P-Tec, which held a 100% interest in Bonfim, through payments of \$116,910 (R\$250,000). During the year ended September 30, 2014, upon deeming technical feasibility of one of the mineral claims and obtaining regulatory approval from the Brazilian government to commence commercial production, the Company acquired the remaining 25% of P-Tec by entering into a new purchase agreement and recognizing the acquisition payable (Note 9).

During the year ended September 30, 2019, the Company entered into an amending agreement with the vendor, whereby the Company relinquished to the vendor one concession deemed to have limited further exploration potential, valued at \$535,589, in exchange for the settlement of the remaining balance of the acquisition payable (Note 9). During the year ended September 30, 2018, the Company wrote-off \$44,554 relating to the excess carrying amount of the subsequently disposed of concession.

During the year ended September 30, 2019, upon remeasurement of its assets to fair value, the Company recognized impairment of \$1,612,149 on its exploration and evaluation assets (Note 3).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	September 30, 2019
Trade payables	\$ 130,885	\$ 920,365
Payroll liabilities	-	467,015
Financing and goods and services taxes	-	899,301
Transferred to liabilities held for sale (Note 3)	-	(1,900,392)
Total	\$ 130,885	\$ 386,289

FENGRO INDUSTRIES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

9. ACQUISITION PAYABLE

During the year ended September 30, 2019, the Company settled the remaining amount payable, with a carrying value of \$535,589, through the issuance of one exploration concession. The movement during the period was:

	September 30, 2019
Balance at the beginning of the period	\$ 491,088
Accretion and interest	6,527
Settlement	(535,589)
Foreign exchange impact	37,974
Balance at the end of the period	\$ -

10. FINANCE LEASE OBLIGATION

As at March 31, 2020, there were no finance lease obligations outstanding. As at September 31, 2019, the Company's Brazilian subsidiary has financing leases for vehicles and the obligation outstanding was \$39,865.

The following is reconciliation of the changes in the finance lease obligations to financing cash flows:

	March 31, 2020	September 30, 2019
Balance, beginning of the period	\$ -	\$ 66,628
Payments made for lease obligation under finance lease	-	(34,678)
Finance cost – lease interest	-	6,613
	-	38,563
Foreign exchange	-	1,302
Current portion transferred to liabilities held for sale (Note 3)	-	(29,382)
Non-current portion transferred to liabilities held for sale (Note 3)	-	(10,483)
Balance, end of the period	\$ -	\$ -

11. CONVERTIBLE DEBENTURE

On October 1, 2015, the Company closed a convertible debenture financing, issuing unsecured convertible debentures of \$750,000. The debenture holder had the right to convert the principal amount together with all interest accrued and establishment fee into common shares and warrants of the Company up to the maturity date of September 30, 2016 (the "Maturity Date") at a conversion price of \$1.00 per unit. Each unit consists of one common share and one-half warrant. The debentures were subject to a one-time establishment fee of 5% and bear interest at 10% per annum, payable annually in arrears from the date of issue to the Maturity Date.

The proceeds of the debentures were allocated between equity and liability components by determining the estimated fair value of the liability component and applying the residual balance to the equity component. The fair value interest rate was estimated at 21% (for a liability without the conversion feature) and resulted in an initial fair value of the liability component of \$712,810 and a residual value of \$37,190 assigned to the equity component which was recorded in equity reserve.

After initial recognition the liability component is carried on an amortized cost basis and will be accreted to its face amount

FENGRO INDUSTRIES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

over the term to maturity of the convertible debenture at an effective interest rate of 21%.

On September 29, 2016, the Company and the lender agreed to extend the maturity of the convertible debenture to October 31, 2016. On October 28, 2016, the Company and the lender of the convertible debenture agreed to extend the maturity of the convertible debenture to November 30, 2016. On November 30, 2016, the Company and the lender agreed to further extend the maturity of the convertible debenture to December 15, 2016. In each case, all of the key terms and conditions remained unchanged.

On December 7, 2016, the Company and the lender of the convertible debenture entered into an Amendment Agreement of the convertible debenture. Under the terms of the Amendment, the revised loan principal was \$876,267. The loan bears establishment fee of 5% and annual interest rate of 10% and matures on December 6, 2017. The lender has the right to convert the full outstanding balance into a unit for \$0.50 per unit. Each unit includes one common share and one half of one share purchase warrant at an exercise price of \$0.65. The amendment resulted in an extinguishment of the original instrument and the recognition of a new amended and restated promissory note valued using an effective interest rate of 21%.

On December 7, 2017, the Company and the lender entered into an agreement to extend the maturity of the convertible debenture to March 31, 2018. The instrument will maintain its 10% interest rate and the Company will incur an additional establishment fee of 2% on the balance at the time of extension of \$1,006,267. The Company subsequently negotiated a series of extensions to the convertible debenture, extending the maturity to June 12, 2018 without changing the terms and conditions of the loan.

On June 12, 2018, the Company and the lender of the convertible debenture entered into a second amending agreement of the convertible debenture. Under the terms of the second amendment, the revised loan principal was \$1,079,876. The loan bears an annual interest rate of 12% and matures on September 12, 2018. The lender has the right to convert the full outstanding balance into a unit for \$0.24 per unit. Each unit includes one common share and one half of one share purchase warrant at an exercise price of \$0.32. The amendment resulted in an extinguishment of the original instrument and the recognition of a new amended and restated promissory note valued using an effective interest rate of 21%. On September 12, 2018, the Company and the lender agreed to further extend the maturity of the convertible debenture to December 12, 2018 without changing the terms and conditions of the loan. The Company subsequently negotiated a series of extensions to the convertible debenture, extending the maturity to July 31, 2019 without changing the terms and conditions of the loan.

On March 20, 2020, the lender elected to exercise its right to convert the convertible debenture resulting in the issuance of 5,472,851 common shares of the Company. In addition, the lender waived its right to receive the warrants.

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

	March 31, 2020	September 30, 2019
Balance, opening	\$ 1,248,708	\$ 1,119,122
Accretion and interest (Note 16)	64,776	129,586
Exercised for common shares	(1,313,484)	-
Balance, closing	\$ -	\$ 1,248,708

FENGRO INDUSTRIES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

12. LOANS PAYABLE

During the year ended September 30, 2019, the Company entered into a loan facility agreement with two parties whereby it may draw up to \$100,000 from each party to be repaid on May 31, 2019. The loan includes a 5% lending fee, bears interest at 10% per annum, to be increased to 15% on any overdue amounts. The Company is currently in default on the loan facilities.

	March 31, 2020	September 30, 2019
Balance, opening	\$ 223,705	\$ 200,000
Accretion and interest	7,283	23,705
Balance, closing	\$ 230,988	\$ 223,705

13. ASSET RETIREMENT OBLIGATION

Management's estimate of the asset retirement obligation at March 31, 2020 was \$nil (September 30, 2019 - \$25,174) due to the disposition of Dusolo and P-Tec (Note 3). The present value of the obligation was calculated using a risk-free interest rate of 10%, an expected remaining life of 11 years, and an inflation rate of 4.1%. The undiscounted expected asset reclamation obligation is US\$42,000.

	March 31, 2020	September 30, 2019
Balance, opening	\$ -	\$ 20,575
Accretion of assessed obligation (Note 16)	-	5,220
Foreign exchange	-	(621)
Transferred to liabilities held for sale (Note 3)	-	(25,174)
Balance, closing	\$ -	\$ -

14. SHARE CAPITAL**Authorized**

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

Share activities

During the period ended March 31, 2020, the Company:

- a) on January 22, 2020, closed the first tranche of a private placement by issuing 82,000,000 common shares at a price of \$0.005 per common share for gross proceeds of \$410,000; and
- b) on February 26, 2020, closed the second and final tranche of a private placement by issuing 20,000,000 common shares at a price of \$0.005 per common share for gross proceeds of \$100,000.

FENGRO INDUSTRIES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

- c) on March 20, 2020, Tembo Capital Mining Fund LP elected to exercise its right to convert the convertible debenture (Note 10). As a result, the Company issued 5,472,851 common shares of the Company at a price of \$0.24 per share.

Warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of warrant activity during the period ended March 31, 2020 is as follows:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, September 30, 2018	4,151,489	0.31
Expired	(3,828,573)	0.32
Balance, September 30, 2019	322,916	0.32
Expired	(322,916)	0.32
Balance, March 31, 2020	-	-

Stock Options

The Company has a stock option plan under which it is authorized to grant options for the acquisition of its common shares to directors, employees and consultants up to a maximum of 10% of the issued and outstanding common shares of the Company at the time the plan was adopted. The exercise price shall not be less than the market price of the Company's shares as at the grant date. The options may be granted for a maximum term of five years. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest fully upon the expiry of the hold period of four months from the grant date unless otherwise determined by the board of directors. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of twelve months.

The Company did not grant stock options during the period ended March 31, 2020 (September 2019 – nil).

Stock option activity for the period ended March 31, 2020 is as follows:

	Number of Stock Options	Weighted Average Exercise Price \$
Balance, September 30, 2018	3,129,500	0.41
Expired / forfeited	(340,000)	0.57
Balance, September 30, 2019	2,789,500	0.39
Expired / forfeited	(364,500)	0.71
Balance, March 31, 2020	2,425,000	0.34
Exercisable, March 31, 2020	2,425,000	0.34

FENGRO INDUSTRIES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Presented in Canadian Dollars) - unaudited

The weighted average remaining contractual life of the outstanding options was 2.5 years. Details of stock options outstanding is as follows:

Expiry Date	Exercise Price \$	Number Outstanding	Number Exercisable
May 31, 2021	0.50	335,000	335,000
November 23, 2021	0.50	40,000	40,000
March 8, 2022	0.50	50,000	50,000
July 4, 2022	0.50	50,000	50,000
January 14, 2023	0.30	1,950,000	1,950,000
		2,425,000	2,425,000

15. RELATED PARTY TRANSACTIONS

A number of key management personnel, consisting of the directors, CEO, CFO, or their related parties, hold positions in other entities. All related party transactions are recorded at the exchange amount that is the amount agreed to by the Company and the related party.

The aggregate value of transactions with related parties was as follows:

An entity with significant influence (the "Entity") and a director in common loaned \$750,000 to the Company in 2015 which has been extended in 2018 and 2017 (Note 11) of which was converted into common shares of the Company.

During the year ended September 30, 2019, the Entity provided a loan in the amount of \$100,000 (Note 12). As at March 31, 2020, the amount owing, including interest was \$115,494.

As at March 31, 2020, \$15,000 (September 30, 2019 - \$141,925) was owed to a director of the Company and is included in accounts payable and accrued liabilities. The amount payable to related parties is due on demand, unsecured and is non-interest bearing.

Key Management Personnel Compensation

Period ended March 31, 2020:

Compensation	Salaries	Management fees	Director fees	Share-based payments	Total
CEO	\$ 260,260	\$ -	\$ -	\$ -	\$ 260,260

Period ended March 31, 2019:

Compensation	Salaries	Management fees	Director fees	Share-based payments	Total
CEO	\$ 158,600	\$ -	\$ -	\$ 12,183	\$ 170,783
CFO	-	48,000	-	5,483	53,483
Directors	-	-	40,000	25,576	65,576
Former Director	-	-	7,865	6,542	14,407
Total	\$ 158,600	\$ 48,000	\$ 47,865	\$ 49,784	\$ 304,249

FENGRO INDUSTRIES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

16. FINANCE COST

	March 31, 2020	March 31, 2019
Accretion and interest on convertible debt (Note 11)	\$ 64,776	\$ 64,615
Loans payable (Note 12)	7,283	356
Finance cost - acquisition payable accretion	-	6,527
Finance cost – lease interest (Note 10)	-	5,965
Accretion on ARO (Note 13)	-	1,605
Regulatory fees and interest	4,508	101,015
	\$ 76,567	\$ 180,083

17. SEGMENTED INFORMATION

The Company's revenues of \$568,760 (2019 - \$603,326) are all attributable to Brazil where sales are recorded from shipments of DANF products from the Bonfim Project.

Geographical information relating to the Company is as follows:

	Canada \$	Brazil \$	Total \$
As at March 31, 2020			
Total assets	55,317	-	55,317
Total liabilities	361,873	-	361,873
Revenue	-	568,760	568,760
Gross profit	-	296,111	296,111
Net (loss) gain	(2,097,040)	170,402	(1,926,638)
As at September 30, 2019			
Total assets	76,391	2,366,107*	2,422,498
Total liabilities	2,027,047	2,047,807*	4,074,854
Revenue	-	2,202,438	2,202,438
Gross profit	-	790,430	790,430
Net loss	(820,914)	(2,358,663)	(3,179,577)

*Represent balances included in assets and liabilities held for sale at September 30, 2019

18. SUPPLEMENTAL CASH FLOW INFORMATION

The Company had the following non-cash transactions:

	March 31, 2020	March 31, 2019
Acquisition payable settled with exploration and evaluation assets	\$ -	\$ 535,589
Settlement of convertible debenture for common shares (Note 11)	1,313,484	-

There was no cash paid for interest or income taxes during the periods ended March 31, 2020 and 2019.

FENGRO INDUSTRIES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2020

(Presented in Canadian Dollars) - unaudited

19. SUBSEQUENT EVENTS

On April 28, 2020, the Company entered into a binding business combination agreement (the “Agreement”) with respect to the reverse takeover of the Company (the “Transaction”) by the shareholders of Elemental Royalties Limited (“Elemental”) with the Resulting Issuer carrying on the business of Elemental, being investing in royalties over mining projects, under the name “Elemental Royalties”.

Pursuant to the Transaction, it is currently anticipated that Fengro will undertake a consolidation of its share capital on a 209:1 basis, for which Fengro obtained approval from its shareholders at a meeting which took place on March 24, 2020. Holders of Elemental common shares (“Elemental Shares”) will receive post-consolidation common shares of Fengro (“Fengro Shares”) at an exchange ratio of 4.8114 Fengro Shares for each Elemental Share held (the “Exchange Ratio”). Following such exchange, the former Elemental shareholders will hold approximately 96% of the issued and outstanding shares of the Company. Outstanding Performance Rights of Elemental entitling their holders to acquire 497,798 Elemental Shares will also be exchanged for equivalent securities of the Company entitling them to acquire Fengro Shares as adjusted for the Exchange Ratio.

Upon completion of the Transaction, the directors of the Company will be replaced by nominees of Elemental.