ITAFOS

(formerly MBAC Fertilizer Corp.)

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2017
(Unaudited)

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ITAFOS (formerly MBAC Fertilizer Corp.)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT JUNE 30, 2017 AND DECEMBER 31, 2016

(in thousands of United States Dollars, unaudited)	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash	$ 9,372	$ 2,875
Accounts receivable	201	169
Inventories *(Note 4)*	4,236	481
Other current assets *(Note 7)*	2,053	3,212
	$ 15,862	$ 6,737
Non-current assets:		
Property, plant and equipment *(Note 5)*	237,839	222,564
Mineral properties *(Note 6)*	40,364	40,324
Investments in associates *(Notes 8 and 21)*	17,576	17,813
Other long-term assets *(Note 7)*	16,664	17,320
Total assets	$ 328,305	$ 304,758
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities *(Note 9)*	$ 21,214	$ 19,345
Provisions *(Note 10)*	550	975
Current debentures and debt *(Note 11)*	498	340
Other current liabilities *(Note 11)*	2,288	2,387
	$ 24,550	$ 23,047
Non-current liabilities:		
Other long-term liabilities *(Note 12)*	8,802	7,261
Provisions *(Note 10)*	1,006	586
Long-term portion of debentures and debt *(Note 11)*	2,560	2,479
Other liabilities *(Note 11)*	1,823	1,775
Total liabilities	$ 38,741	$ 35,148
Shareholders' Equity		
Share capital *(Note 13)*	407,348	374,508
Contributed surplus	246,626	246,626
Cumulative translation adjustment reserve	7,797	7,171
Deficit	(372,207)	(358,695)
Shareholders' Equity	$ 289,564	$ 269,610
Total liabilities and shareholders' equity	$ 328,305	$ 304,758

Commitments and contingencies *(Note 16) and Subsequent events (Note 21)*

Approved by the Board

Signed "Anthony Cina"
ANTHONY CINA
Director

Signed "Brent de Jong"
BRENT DE JONG
Director

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS

(in thousands of United States Dollars except for shares and per share amounts, unaudited)	*For the three months ended June 30,* 2017	2016	*For the six months ended June 30,* 2017	2016
Expenses				
Selling, general and administrative expenses	**$ 4,701**	$ 1,360	**$ 8,170**	$ 2,117
Operations care and maintenance expenses	**-**	3,540	**-**	8,798
Operating loss	**(4,701)**	(4,900)	**(8,170)**	(10,915)
Unrealized foreign exchange gain/(loss) *(Note 14)*	**(127)**	14,028	**(894)**	24,275
Other expense	**(531)**	(330)	**(2,139)**	(329)
Finance expense *(Note 15)*	**(33)**	(17,918)	**(112)**	(26,014)
Loss and impairment from investment in associates *(Note 8)*	**(1,250)**	-	**(1,587)**	-
Loss before income taxes	**(6,642)**	(9,120)	**(12,902)**	(12,983)
Deferred income tax expense	**301**	278	**610**	529
Net loss	**$ (6,943)**	$ (9,398)	**$ (13,512)**	$ (13,512)
Basic and diluted loss per share *(Note 13)*	**$ (0.09)**	$ (5.17)	**$ (0.19)**	$ (7.44)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

(in thousands of United States Dollars, unaudited)	*For the three months ended June 30,* **2017**	2016	*For the six months ended June 30,* **2017**	2016
Net loss	**$ (6,943)**	$ (9,398)	**$ (13,512)**	$ (13,512)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Cumulative transaction adjustment from investment in associates	**570**	(4,617)	**760**	(3,761)
Share of other comprehensive loss from investment in associates	**(19)**	-	**(134)**	-
	$ 551	$ (4,617)	**$ 626**	$ (3,761)
Total other comprehensive income (loss)	**$ 551**	$ (4,617)	**$ 626**	$ (3,761)
Total comprehensive loss	**$ (6,392)**	$ (14,015)	**$ (12,886)**	$ (17,273)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	Share capital						
(in thousands of United States Dollars except for shares, unaudited)	**Number of shares**	**Amount**	**Contribute d surplus**	**Warrant reserve**	**Cumulative translation adjustment reserve**	**Deficit**	**Total equity**
Balance as at January 1, 2017	57,528,838	$ 374,50	$ 246,62	$	$ 7,17	$ (358,69	$ 269,61
Net loss	-	-	-	-	-	(13,512)	(13,512)
Accumulated other comprehensive income	-	-	-	-	626	-	626
Issuance of shares from private placement (Note 13)	19,883,128	29,840	-	-	-	-	29,840
Issuance of shares from debt conversion (Note 13)	1,906,541	3,000	-	-	-	-	3,000
Balance as at June 30, 2017	**79,318,507**	**$ 407,34**	**$ 246,62**	**$**	**$ 7,79**	**$ (372,20**	**$ 289,56**
Balance as at January 1, 2016	181,607,492	$ 262,23	$ 15,31	$ 8,62	$ 9,33	$ (258,02	$ 37,47
Net loss	-	-	-	-	-	(13,512)	(13,512)
Accumulated other comprehensive income	-	-	-	-	(3,761)	-	(3,761)
Share-based payment recovery	-	-	(212)	-	-	-	(212)
Exchange differences	-	16,769	975	552	(18,296)	-	-
Balance as at June 30, 2016 (Note 13)	**181,607,492**	**$ 279,00**	**$ 16,07**	**$ 9,17**	**$ (12,725**	**$ (271,53**	**$ 19,99**

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(in thousands of United States Dollars, unaudited)	*For the six months ended June 30,* 2017	2016
Operating activities		
Net loss	$ (13,512)	$ (13,512)
Adjustments for the following items:		
Depreciation and depletion	122	8,468
Share-based payment (recovery) expense	367	(212)
Deferred income tax expense	610	529
Loss and impairment from investment in associates	1,587	299
Unrealized foreign exchange (gain) loss *(Note 14)*	894	(24,275)
Asset retirement obligation	(420)	-
Financial expense *(Note 15)*	112	26,014
Net change in non-cash working capital *(Note 18)*	(1,153)	63
Cash flows from operating activities	$ (11,393)	$ (2,626)
Investing activities		
Acquisition of property, plant and equipment and mineral properties	$ (15,017)	$ (300)
Cash flows from investing activities	**$** (15,017)	**$ (300)**
Financing activities		
Proceeds from conversion of debt financing	$ 3,000	$ 2,851
Net proceeds from issuance of shares	29,840	-
Change in restricted cash	-	163
Cash flows from financing activities	**$ 32,840**	**$ 3,014**
Effect of foreign exchange of non-US Dollar denominated cash	67	(45)
Increase in cash	6,497	43
Cash, beginning of period	2,875	25
Cash, end of period	**$ 9,372**	$ 68

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

1. GENERAL COMPANY INFORMATION

Itafos (the "Company") is engaged in the mining, production and exploration of phosphate fertilizers. The Company is focused on becoming a significant integrated producer of phosphate based fertilizers and related products. The Company owns and operates the Itafos Arraias Single Super Phosphate ("SSP") Operations. The Itafos Arraias SSP Operations consists of an integrated fertilizer producing facility located in central Brazil. The facility is comprised of a phosphate mine, a mill, a beneficiation plant, a sulphuric acid plant, an SSP plant, a granulation plant and related infrastructure.

The Company's exploration portfolio includes additional projects in Brazil. The Itafos Santana Project is a phosphate deposit located near the fertilizer market of Mato Grosso State and the animal feed market of Pará State. The Company's exploration portfolio also includes the Itafos Araxa Project (a rare-earth elements, niobium and phosphate deposit located near two operating mines with existing local infrastructure). In addition, at June 30, 2017, the Company owns an approximate 31.3% interest in GB Minerals Ltd. ("GBL") and an approximate 35.2% interest in Stonegate Agricom Ltd. ("STG"). See Note 21 Subsequent Events for the acquisition of control of STG in July 2017. GBL owns the Farim Project (a high-grade phosphate deposit located in Guinea Bissau). STG owns the Paris Hills Project (a high-grade phosphate deposit located in Idaho, United States) and the Mantaro Project (a high-grade phosphate deposit located in Peru).

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared on a basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's registered office is at Ugland House, Grand Cayman, Cayman Islands KY1-1104.

2. BASIS OF PREPARATION AND PRESENTATION

Statement of compliance

These interim financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the Internal Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim financial statements were authorized for issuance by the Board of Directors of the Company on August 16, 2017.

Basis of preparation and presentation

These interim financial statements have been prepared on a going concern basis under the historical cost convention.

The interim financial statements are presented in United States Dollars (“USD”). References herein to C$ are to the Canadian Dollar and R$ are to the Brazilian Real.

Change in functional currency

During the quarter ended March 31, 2017, the Brazilian subsidiaries changed their functional currency from R$ to USD based on the Itafos Arraias SSP Operations re-commencing development activities and based on the financing of the entity. The parent entity and other subsidiaries have changed from C$ to USD based on the change in location of the head office operations and financing of the entities.

Consolidation

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. The Company has wholly owned subsidiaries located in the Cayman Islands, United States of America, Barbados, the Netherlands and Brazil. At June 30, 2017, the Company also has non-controlling interests in GBL and STG. Please refer to Notes 6 and 21 for further discussion. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which the Company obtained control and are deconsolidated from the date on which the Company ceases to have control. At June 30, 2017, GBL and STG are accounted for by the equity method as the Company has significant influence over these entities but does not control them.

These interim financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions are eliminated on consolidation.

The Company is a subsidiary of Zaff LLC (“Zaff”), a Delaware limited liability company with offices in Houston, Texas, USA. As at June 30, 2017, Zaff beneficially owned, controlled and directed 49,882,498 shares of the Company, representing 63% of the issued and outstanding shares of the Company (on an undiluted basis).

Critical accounting estimates and judgments

The critical accounting estimates and judgments included in the Company’s audited consolidated financial statements for the year ended December 31, 2016 remain applicable for these interim financial statements. As of January 1, 2017, the Itafos Arraias SSP Operations have recommenced development activities and have finished the period of care and maintenance. From that date forward until completion of the development activities, interest will be capitalized to the qualifying assets, and depreciation of applicable assets will be re-capitalized where used in the development of the operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2016. To date, there is no significant impact on the Company's interim financial statements due to new standards that became effective during 2017. There is no update to the status of the assessment of accounting pronouncements applicable to future periods included in the Company's audited consolidated financial statements for the year ended December 31, 2016.

4. INVENTORIES

	June 30, 2017	December 31, 2016
Raw materials and spare parts	$ 2,413	$ 661
Work in process	2,012	9
Impairment	(189)	(189)
	$ 4,236	$ 481

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and plant	Machinery, equipment and other	Asset under construction	Total
Cost					
Balance as at December 31, 2016	$ 3,273	$ 128,078	$ 152,923	$ -	$ 284,274
Additions	-	-	899	14,498	15,397
Balance as at June 30, 2017	**$ 3,273**	**$ 128,078**	**$ 153,822**	**$ 14,498**	**$ 299,671**
Accumulated depreciation					
Balance as at December 31, 2016	$ -	$ 24,725	$ 36,985	$ -	$ 61,710
Additions			122		122
Balance as at June 30, 2017	**$ -**	**$ 24,725**	**$ 37,107**	**$ -**	**$ 61,832**
Carry value					
As at December 31, 2016	$ 3,273	$ 103,353	$ 115,938	$ -	$ 222,564
As at June 30, 2017	**$ 3,273**	**$ 103,353**	**$ 116,715**	**$ 14,498**	**$ 237,839**

Effective January 1, 2017, the Itafos Arraias SSP Operations were determined to be in the development stage, and the pre-commercial production costs began to be capitalized. Property, plant and equipment are not subject to depreciation due to the development stage status of these assets during the first and second quarters of 2017.

6. MINERAL PROPERTIES

	Development costs	Exploration and evaluation costs	Accumulated depletion	Net book value
Balance as at December 31, 2016	$ 30,057	$ 12,005	$ (1,738)	$ 40,324
Additions	40	-	-	40
Disposals	-	-	-	-
Balance as at June 30, 2017	**$ 30,097**	**$ 12,005**	**$ (1,738)**	**$ 40,364**

7. OTHER ASSETS

	June 30, 2017	December 31, 2016
Tax credits	$ 16,981	$ 17,656
Advances to suppliers	1,079	2,364
Other	657	512
	18,717	20,532
Less: current portion	2,053	3,212
	$ 16,664	$ 17,320

Tax credits consist of Brazilian state and federal taxes accumulated primarily on purchases of property, plant and equipment. Those tax credits can be applied to offset and potentially reimburse certain value added taxes and other taxes payable in future periods. As of June 30, 2017, and December 31, 2016, the Company had tax credits of $16,981 and $17,656, respectively, of which $374 and $377, respectively, were included in "Other current assets".

8. INVESTMENTS IN ASSOCIATES

The following investments are considered associates and are accounted for using the equity method in these interim financial statements.

Investment in STG

On October 27, 2016, through the issuance of 1,033,003 shares to Zaff, the Company acquired ownership of 154,950,462 common shares of STG, representing approximately 36.5% interest in STG. On January 5, 2017, the Company decreased its investment in STG from 36.5% to approximately 29.6% upon closing of a non-brokered private placement by STG in which the Company did not participate. On April 17, 2017, the Company increased its investment in STG to approximately 35.4% upon the closing of a non-brokered private placement by STG. In that private placement, the Company subscribed to all the shares for cash consideration of C$950. On April 18, 2017, the Company decreased its investment in STG from 35.4% to approximately 35.2% upon issuance of 4,000,000 common shares pursuant to exercise of warrants by third party warrant holders. STG is currently beginning to develop the Paris Hills Phosphate Project, a development stage asset, located in Bear Lake County, Idaho, USA. STG is incorporated in Canada and its shares are traded on the TSX. In 2016, the Company's CEO, Mr. Brian Zatarain, was appointed as a Director to the Board of Directors of STG. Subsequent to period end, the Company acquired control of STG. See Note 21.

Balance as at December 31, 2016	$	2,213
Acquisition of 47,500,000 shares		724
Proportionate share of net loss		(76)
Proportionate share of other comprehensive loss		(103)
Impairment loss		(503)
CTA from investment in associate		96
Balance at as at June 30, 2017	**$**	**2,351**

Investment in GBL

On October 27, 2016, through the issuance of 8,536,757 shares to Zaff, the Company acquired ownership of 341,470,265 common shares of GBL, representing approximately 31.3% interest in GBL. GBL's principal business activities include the acquisition, exploration and development of the Farim Phosphate Project located in Guinea-Bissau. GBL is incorporated in Canada, and its shares are traded on the TSX Venture Exchange. The fiscal year-end date of GBL is June 30.

Balance as at December 31, 2016	$	15,600
Proportionate share of net loss		(1,008)
Proportionate share of other comprehensive loss		(31)
CTA from investment in associate		664
Balance at as at June 30, 2017	**$**	**15,225**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2017		December 31, 2016
Trade payables	$	1,276	$	375
Payroll and related taxes payable		7,746		7,365
Taxes payable		7,314		6,768
Accrued liabilities and other		4,878		4,837
	$	**21,214**	$	19,345

Payroll and related taxes payable were $7,746 and $7,365 as of June 30, 2017 and December 31, 2016, respectively. Taxes payable were $7,314 and $6,768 as of June 30, 2017 and December 31, 2016, respectively. These balances primarily consist of overdue taxes related to ex-employees and payroll tax amounts. Interest has been accrued on these amounts, and payment terms for those overdue taxes are being negotiated with the Brazilian tax authorities.

10. PROVISIONS

		June 30, 2017		December 31, 2016
Legal contingencies	$	550	$	975
Environmental restoration		1,006		586
		1,556		1,561
Less: current portion		550		975
	$	**1,006**	$	586

11. DEBENTURES AND OTHER LIABILITIES

Canadian debentures

		June 30, 2017		December 31, 2016
Canadian debentures	$	3,058	$	2,819
Less: current portion		498		340
	$	**2,560**(1)	$	2,479(1)

(1) Balances include interest accruals.

Canadian debentures of $3,058 and $2,819 as of June 30, 2017 and December 31, 2016, respectively, were issued to Zaff and to Banco Modal S.A. in connection with the Canadian Restructuring Plan. These debentures mature in 10 (ten) years, on October 27, 2026, following the implementation of the Canadian Restructuring Plan. The instruments have a 10% interest rate with interest and principal payable in ten annual payments.

Issuance of debt and conversion to equity

On February 23, 2017, the Company received funding from Zaff in the amount of $3,000 and documented such transaction by means of a promissory note to Zaff (the "Zaff Note"). On March 9, 2017, Zaff settled the Zaff Note via the receipt of 1,906,541 shares in the Company.

Brazilian debentures and warrants

		June 30, 2017		December 31, 2016
Brazilian debentures(1)	$	2,044	$	2,062
Brazilian entity warrants (included in other current liabilities)		2,067		2,100
		4,111		4,162
Less: current portion		2,288		2,387
	$	**1,823**	$	1,775

(1) $221 and $287 included in other current liabilities as of June 30, 2017 and December 31, 2016, respectively.

Brazilian debentures of $2,044 and $2,062 as of June 30, 2017 and December 31, 2016, respectively, mature in ten years following the implementation of the Brazil restructuring. The instruments have a 10% interest rate with interest and principal paid in ten annual payments.

Brazilian warrants of $2,067 and $2,100 as of June 30, 2017 and December 31, 2016, respectively, are convertible into preferred shares of Itafos' Brazilian subsidiaries at a conversion rate of R$1 per share with an expiry date of September 30, 2017. The Brazilian warrants are recorded at fair value and are expected to be exercised by September 30, 2017. The fair value has been recognized in other current liabilities.

12. OTHER LONG-TERM LIABILITIES

	June 30, 2017	December 31, 2016
Withholding taxes payable	$ 7,100	$ 6,295
Long-term taxes payable	1,334	966
Share-based payments	368	-
	$ 8,802	$ 7,261

Withholding taxes payable

Withholding taxes payable of $7,100 and $6,295 as of June 30, 2017 and December 31, 2016, respectively, are mainly related to the taxes payable to the Brazilian tax authorities in connection with intercompany loans between the Company's subsidiaries. In accordance with intercompany loan agreements, these taxes are due after 2020, upon maturity of the intercompany loans.

Long-term taxes payable

Long-term taxes payable of $1,334 and $966 as of June 30, 2017 and December 31, 2016, respectively, are primarily comprised of tax amounts for which deferred payment is being negotiated with the Brazilian tax authorities.

Share-based payments

Share-based payments of $367 and $0 as of June 30, 2017 and December 31, 2016, respectively, are related to the restricted share units ("RSUs") granted by the Company under the Company's restricted share unit plan (the "RSU Plan"). During the quarter ended March 31, 2017, the Company granted 1,565,730 RSUs under the Company's RSU Plan (which was previously adopted by the Company pursuant to the Canadian Restructuring). The maximum number of shares which may be reserved for issuance under the RSU Plan at any time is 5,213,403 shares. In accordance with the RSU Plan, the RSUs vest one-quarter on the second anniversary of the date of grant and three-quarters on the third anniversary of the date of grant. The RSU Plan allows the participant to elect to redeem its RSUs in exchange for shares or cash. The RSUs are accounted for as cash-settled share-based payments with a liability being recognized for services acquired. The initial measurement is at the fair value of the liability considering the market price of the share. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period, with any changes in fair value recognized in the consolidated statement of operations. For the three and six months ended June 30, 2017, share-based payment expense of $171 and $367, respectively, has been recognized in the consolidated statement of operations.

	Number of RSUs
Balance as at December 31, 2016	-
Granted	1,565,730
Balance as at June 30, 2017	**1,565,730**

13. SHARE CAPITAL

Authorized capital

The Company is authorized to issue up to 5,000,000,000 shares. There are no preferred shares issued or outstanding. On March 9, 2017, the Company completed a private placement of shares at a price of C$2.10 per share and received net proceeds of $32,840 after deducting transaction costs of $1,214. This amount includes the conversion of $3,000 through the issuance of 1,906,541 shares to settle the Zaff Note. As of June 30, 2017, and December 31, 2016, the Company had 79,318,507 and 57,528,838 issued and outstanding shares, respectively.

During 2016, the Company had a 1/100 share consolidation whereby, as the first step of the Company's CCAA restructuring process, the number of shares outstanding were reduced from 181,607,492 to 1,816,066. In addition, as part of the debt consolidation and forgiveness, the Company issued an additional 50,337,972 shares. Finally, the Company executed a private placement to raise $10 million in return for issuance of 5,374,800 shares.

Weighted-average number of shares and dilutive share equivalents

	For the six months ended June 30,	
	2017	2016
Weighted average number of shares	71,252,718	1,816,066
Weighted average number of dilutive options and convertible debentures	-	-
Diluted weighted average number of shares	**71,252,718**	1,816,066

14. UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)

During the three months ended June 30, 2017 and 2016, the Company recognized an unrealized exchange loss of $127 and an unrealized exchange gain of $14,028, respectively. During the six months ended June 30, 2017 and 2016, the Company recognized an unrealized exchange loss of $894 and an unrealized exchange gain of $24,075, respectively. These amounts are primarily comprised of the unrealized loss resulting from translating monetary items denominated in Brazilian Real.

15. FINANCE EXPENSE

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Interest expense	$ (23)	$ (17,534)	$ (92)	$ (25,583)
Other financial expense	(10)	(384)	(21)	(434)
Interest income	-	-	1	3
Finance expense	$ (33)	$ (17,918)	$ (112)	$ (26,014)

16. COMMITMENTS AND CONTINGENCIES

The Company may be involved in legal proceedings from time to time that arise in the ordinary course of its business. The amount of any ultimate liabilities, including interest and penalties, with respect to these actions is not expected to, in the opinion of management, materially affect Itafos' financial position, results of operations or cash flows. Based on the Company's knowledge and assessment of events as at June 30, 2017, the Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse effect. The Company has currently accrued $550 in relation to labor and other claims that have been made. The ultimate outcome of these claims is uncertain at this time and management is defending its position in each case.

17. SEGMENT REPORTING

Operating segments

Operating segments were identified based on internal information reviewed by the chief operating decision maker. Three segments were identified based on the geographical areas and the reporting structure. The Itafos segment is comprised of activities at the Itafos Arraias SSP Operations. The Development and Exploration segment is comprised of activities related to the Itafos Santana Phosphate Project, the Itafos Araxa Project and equity investees. The Corporate segment is comprised of activities related to administrative expenses in Brazil, United States, Barbados, Cayman Islands and the Netherlands. The relevant accounting policies of the equity investees are the same as the Company's accounting policies. Substantially all the Company's non-current assets are in Brazil (other than the equity investments assets which are in the United States and West Africa).

Six months ended June 30, 2017	Itafos Arraias SSP Operations	Development and Exploration	Corporate	Total
Operating expenses				
Selling, general and administrative expenses	$ 3,900	$ 47	$ 4,223	$ 8,170
Operating earnings (loss)	(3,900)	(47)	(4,223)	(8,170)
Unrealized foreign exchange gain (loss)	(3,568)	2,750	(76)	(894)
Other Income (expense)	(2,069)	(70)	-	(2,139)
Finance (expense) income	21	-	(133)	(112)
Loss and impairment from investment in associates	-	(1,587)	-	(1,587)
Income (loss) before income taxes	(9,516)	1,046	(4,432)	(12,902)
Deferred Income tax expense	-	-	610	610
Net income (loss)	**$ (9,516)**	**$ 1,046**	**$ (5,042)**	**$ (13,512)**

Six months ended June 30, 2016	Itafos Arraias SSP Operations	Development and Exploration	Corporate	Total
Expenses				
Selling, general and administrative expenses	$ 1,371	$ 62	$ 684	$ 2,117
Operations care and maintenance expenses	8,798	-	-	8,798
Operating loss	(10,169)	(62)	(684)	(10,915)
Unrealized foreign exchange gain (loss)	14,074	17	10,184	24,275
Other income (expense)	(184)	(145)	-	(329)
Finance (expense) income	(24,024)	(4,282)	2,292	(26,014)
Loss from investment in associates	-	-	-	-
Loss before income taxes	(20,303)	(4,472)	11,792	(12,983)
Deferred Income tax expense	-	-	529	529
Net income (loss)	**$ (20,303)**	**$ (4,472)**	**$ 11,263**	**$ (13,512)**

Three months ended June 30, 2017		Itafos Arraias SSP Operations		Development and Exploration		Corporate		Total
Operating expenses								
Selling, general and administrative expenses	$	1,751	$	18	$	2,932	$	4,701
Operating earnings (loss)		(1,751)		(18)		(2,932)		(4,701)
Unrealized foreign exchange gain (loss)		(825)		2,196		(1,498)		(127)
Other Income (expense)		(510)		(21)		-		(531)
Finance (expense) income		36		1		(70)		(33)
Loss and impairment from investment in associates				(1,250)				(1,250)
Income (loss) before income taxes		(3,050)		908		(4,500)		(6,642)
Deferred Income tax expense		-		-		301		301
Net income (loss)	**$**	**(3,050)**	**$**	**908**	**$**	**(4,801)**	**$**	**(6,943)**

Three months ended June 30, 2016		Itafos Arraias SSP Operations		Development and Exploration		Corporate		Total
Expenses								
Selling, general and administrative expenses	$	925	$	37	$	398	$	1,360
Operations care and maintenance expenses		3,540		-		-		3,540
Operating loss		(4,465)		(37)		(398)		(4,900)
Unrealized foreign exchange gain (loss)		7,651		7		6,370		14,028
Other income (expense)		(188)		(142)		-		(330)
Finance (expense) income		(15,147)		(3,996)		1,225		(17,918)
Loss from investment in associates		-		-		-		-
Loss before income taxes		(12,149)		(4,168)		7,197		(9,120)
Deferred Income tax expense		-		-		278		278
Net income (loss)	**$**	**(12,149)**	**$**	**(4,168)**	**$**	**6,919**	**$**	**(9,398)**

18. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital:

	June 30, 2017	June 30, 2016
Accounts receivable	$ (32)	$ (49)
Inventories	(3,755)	-
Other assets and prepaids	1,322	389
Accounts payable and accrued liabilities	1,869	(143)
Other liabilities and provisions	(557)	(134)
	$ (1,153)	$ 63

19. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Key management compensation

Key management includes directors and officers of the Company. The compensation paid or payable to key management for employee services is shown below:

	For the three months ended June 30,		*For the six months ended June 30,*	
	2017	2016	2017	2016
Management compensation and director fees	$ 863	$ 269	$ 1,605	$ 538
Termination benefits related to restructuring	-	157	-	313
Other benefits	13	31	26	62
	$ 876	$ 457	$ 1,631	$ 913

Zaff Working Capital

On February 23, 2017, the Company received funding from Zaff in the amount of $3,000 and documented such transaction by means of the Zaff Note. On March 9, 2017, Zaff settled the Zaff Note via the receipt of 1,906,541 shares.

20. FAIR VALUE MEASUREMENT AND RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk. These interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Those three levels are referenced below in descending order of the reliability of the inputs used to estimate the fair value.

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's financial instruments consist of cash, accounts receivables, accounts payable and accrued liabilities, and debt and debentures. The carrying values of cash, accounts receivables, and accounts payable and accrued liabilities approximate their fair values.

As at June 30, 2017	**Level 1 Input**	**Level 2 Input**	**Level 3 Input**	**Aggregate Fair Value**
Liabilities:				
Canadian debentures	$ -	$ -	$ 3,058	$ 3,058
Brazilian debentures	-	-	2,044	2,044
Other liabilities (Brazilian entity warrants)	-	-	2,067	2,067
	$ -	$ -	$ 7,169	$ 7,169

The Company recognizes transfers between the levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There were no such transfers during the period.

21. SUBSEQUENT EVENTS

On July 18, 2017, the Company completed a plan of arrangement under the Business Corporations Act (Ontario) with STG. Pursuant to the terms of that plan of arrangement, the Company acquired all the issued and outstanding common shares of STG that were not already owned directly or indirectly by the Company. As a result of the transaction, STG became a wholly owned subsidiary of the Company. On closing of the arrangement, an aggregate of 2,985,777 ordinary shares of the Company were issued to STG shareholders at an exchange ratio of 0.008 of a Company's share for each outstanding STG share. As a result of the arrangement, all outstanding options of STG were cancelled. Further, 100,000,000 outstanding common share purchase warrants of STG were exchanged for 800,000 ordinary share purchase warrants of the Company.

The following preliminary table sets out the allocation of the purchase price to assets acquired and liabilities assumed, based on management's estimates of fair value:

373,222,242 common shares of STG or 64.8% interest	$	4,327
Total consideration for net assets (100%)	**$**	**6,677**
Fair value of assets acquired and liabilities assumed:		
Mineral properties	$	6,513
Cash and cash equivalents		354
Receivables		15
Prepaid expenses and other assets		76
Trade and other payable		(281)
Net assets acquired	**$**	**6,677**

On July 28, 2017, Itafos Arraias Mineração e Fertilizantes S.A. engaged Modal Assessoria Financeira Ltda. to act as its non-exclusive financial advisor in the potential capitalization of Itafos Arraias Mineração e Fertilizantes S.A. of up to $60 million. Upon execution of the engagement letter, Itafos Arraias Mineração e Fertilizantes S.A. paid Modal Assessoria Financeira Ltda. a fixed structuring fee of $1.1 million.

On July 28, 2017 Zaff LLC assigned to Banco Modal S.A. C$1,753 of the C$2,584 convertible debenture issued by the Company to Zaff LLC on October 27, 2016 (the "Zaff Debenture"). Following the assignment, the parties agreed to amend, restate and break into two separate instruments the Zaff Debenture to reflect (i) Modal as the holder of C$1,753, and (ii) Zaff as the holder of C$831. In addition, the Company and Banco Modal S.A. agreed to further amend and restate the C$1,107 convertible debenture issued by the Company to Banco Modal S.A. on October 27, 2016 and the C$1,753 convertible debenture assigned by Zaff LLC to Banco Modal S.A. to reduce the term from 10 years to 4 years and to reduce the interest rate from 10% to 7.5%.

On August 11, 2017, the Company received funding from Zaff and Pala Investments Limited ("Pala") in the aggregate amount of $10,000 and documented such transaction by means of a $5,000 promissory note to Zaff and a $5,000 promissory note to Pala. On August 11, 2017, the Company provided a loan to GBL in the amount of $2,500 and GBL documented such transaction by means of a promissory note to the Company.