(formerly MBAC Fertilizer Corp.)

Audited Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

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Management's Responsibility for Financial Information

The consolidated financial statements, the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of management of Itafos and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated financial statements, where necessary, include amounts which reflect management's best estimates and judgments based on current available information. To provide reasonable assurance that the Company's assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable, Itafos maintains systems of internal accounting and administrative controls.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board is ultimately responsible for reviewing and approving the audited consolidated financial statements and the accompanying management's discussion and analysis.

The Audit Committee meets periodically with management and the independent auditors to review internal accounting controls, auditing matters, financial reporting issues, and to satisfy itself that all parties are properly discharging their responsibilities. The Audit Committee also reviews the consolidated financial statements, the management's discussion and analysis of financial results, and the independent auditor's report. The Audit Committee also considers and recommends the engagement or reappointment of the external auditors to the shareholders. The Audit Committee reports its findings to the Board of Directors for its approval of the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited, on behalf of the shareholders, by the Company's independent auditors, PricewaterhouseCoopers LLP, in accordance with Canadian generally accepted auditing standards. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

Signed: "Brian Zatarain"
Brian Zatarain
Chief Executive Officer

Signed: "Rafael F. Rangel"
Rafael F. Rangel
Chief Financial Officer

March 27, 2018

Independent Auditor's Report

To the Shareholders of Itafos

We have audited the accompanying consolidated financial statements of Itafos (formerly MBAC Fertilizer Corp.) and its subsidiaries (the Company), which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Itafos and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed: "PricewaterhouseCoopers LLP"
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

March 27, 2018

ITAFOS (formerly MBAC Fertilizer Corp.)

CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2017 AND 2016

(in thousands of United States Dollars)	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash	$ 63,677	$ 2,875
Accounts receivable	116	169
Inventories *(Note 6)*	8,277	481
Other current assets *(Note 9)*	9,005	3,212
	$ 81,075	$ 6,737
Non-current assets:		
Property, plant and equipment *(Note 7)*	263,427	222,564
Mineral properties *(Note 8)*	47,195	40,324
Investments in associates *(Notes 10)*	15,074	17,813
Other long-term assets *(Note 9)*	14,520	17,320
Total assets	$ 421,291	$ 304,758
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities *(Note 11)*	$ 16,937	$ 19,345
Current debt *(Note 13a)*	25,530	-
Other current liabilities *(Note 13b)*	184	2,387
Current debentures (*Note 13c)*	960	340
Provisions *(Note 12)*	542	975
	$ 44,153	$ 23,047
Non-current liabilities:		
Other long-term liabilities *(Note 14)*	8,733	7,261
Long-term portion of debentures *(Note 13c)*	2,240	2,479
Other liabilities *(Note 13b)*	1,614	1,775
Provisions *(Note 12)*	2,952	586
Total liabilities	$ 59,692	$ 35,148
Shareholders' Equity		
Share capital *(Note 15)*	486,562	374,508
Contributed surplus	246,626	246,626
Cumulative translation adjustment reserve	8,455	7,171
Deficit	(389,106)	(358,695)
Equity attributable to shareholders of the parent	$ 352,537	$ 269,610
Non-controlling interest *(Note 15)*	$ 9,062	$ -
Total liabilities and equity	$ 421,291	$ 304,758

Commitments and contingencies *(Note 20)* and Subsequent events *(Note 25)*

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 consolidated financial statements

ITAFOS (formerly MBAC Fertilizer Corp.)

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of United States Dollars except for shares and per share amounts)	*For the years ended December 31,* 2017	2016
Selling, general and administrative expenses *(Note 16)*	$ 19,447	$ 10,176
Operations care and maintenance expenses	–	20,602
Loss on disposal of property, plant and equipment and mineral properties	–	11,159
Impairment and write-off of property, plant and equipment and mineral properties *(Notes 4, 7 and 8)*	–	59,781
Operating loss	(19,447)	(101,718)
Foreign exchange gain (loss) *(Note 17)*	(1,165)	23,343
Other income (expense)	2,740	(3,568)
Gain on restructuring *(Note 11)*	-	25,380
Finance expense *(Note 18)*	(1,263)	(42,766)
Loss and impairment from investment in associates *(Note 10)*	(2,400)	(201)
Other expenses Brazilian warrants *(Note 13b)*	(6,962)	-
Loss before income taxes	(28,497)	(99,530)
Current and deferred income tax expense *(Note 19)*	1,914	1,138
Net loss	$ (30,411)	$ (100,668)
Net loss for the year attributable to:		
Owners of the parent	(30,411)	(100,668)
Non-controlling interest *(Note 15)*	-	-
Net loss	$ (30,411)	$ (100,668)
Basic and diluted net loss per share *(Note 15)*	$ (0.39)	$ (8.87)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of United States Dollars)	*For the years ended December 31,* 2017	2016
Net loss	**$ (30,411)**	$ (100,668)
Other comprehensive income (loss)		
Cumulative translation adjustment from investment in associates	**1,284**	5,817
Total other comprehensive income (loss)	**$ (29,127)**	$ (94,851)
Total comprehensive loss	**$ (29,127)**	$ (94,851)
Comprehensive loss for the year attributable to:		
Owners of the parent	**(29,127)**	(94,851)
Non-controlling interest *(Note 15)*	**-**	-
Total comprehensive loss	**$ (29,127)**	$ (94,851)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Share capital								
(in thousands of United States Dollars except for shares)	**Number of shares**	**Amount**	**Contributed surplus**	**Warrant reserve**	**Cumulative translation adjustment reserve**	**Deficit**	**Total equity attributable to shareholders of the parent**	**Non-controlling interest**	**Total equity**
Balance as at January 1, 2017	57,528,838	$ 374	$ 246	$	$ 7,1	$ (358,6	$ 269,610	$ -	$ 26
Net loss	-	-	-	-	-	(30,411)	(30,411)		(30,411)
Accumulated other comprehensive income	-	-	-	-	1,284	-	1,284	-	1,284
March 2017, Issuance of shares from private placement and debt conversion (Note 15)	21,789,669	32,840	-	-	-	-	32,840	-	32,840
July 2017, Issuance of shares to acquire Stonegate Agricom Ltd ("STG") (Note 15)	2,985,777	4,327	-	-	-	-	4,327	-	4,327
December 2017 private placement	45,714,285	74,887	-	-	-	-	74,887	-	74,887
December 2017 Warrant conversion into non-controlling interest (Note 15)	-	-	-	-	-	-	-	9,062	9,062
Balance as at December 31, 2017	**128,018,569**	**$ 486**	**$ 246**	**$**	**$ 8,4**	**$ (389,1**	**$ 352,537**	**$ 9,062**	**$ 361,599**
Balance as at January 1, 2016	181,607,492	$ 262	$ 15	$	$ 9,3	$ (258,0	$ 37,476	$ -	$ 3
Net loss	-	-	-	-	-	(100,668)	(100,668)	-	(100,668)
Accumulated other comprehensive income: Cumulative translation adjustment	-	-	-	-	5,817	-	5,817	-	5,817
Comprehensive loss for the period	-	-	-	-	5,817	(100,668)	(94,851)	-	(94,851)
1/100 reverse stock split	(179,791,426)	-	-	-	-	-	-	-	-
Cancellation of warrants	-	-	8,880	(8,880)	-	-	-	-	-
Shares issued on acquisition of debt and acquisition of investment	50,337,972	94,381	22,861	-	-	-	317,242	-	317,242
Issuance of shares from private placement	5,374,800	10,000	-	-	-	-	10,000	-	10,000
Share-based payment recovery	-	-	(257)	-	-	-	(257)	-	(257)
Exchange differences	-	7,892	(173)	259	(7,978)	-	-		-
Balance as at December 31, 2016 (Note 15)	**57,528,838**	**$ 374**	**$ 246**	**$**	**$ 7,1**	**$ (358,6**	**$ 269,610**	**$ -**	**$ 26**

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

ITAFOS (formerly MBAC Fertilizer Corp.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of United States Dollars)	*For the years ended December 31,* 2017	2016
Operating activities		
Net loss	$ (30,411)	$ (100,668)
Adjustments for the following items:		
Depreciation and depletion	125	18,272
Share-based payment (recovery) expense	994	(257)
Deferred income tax expense *(Note 19)*	1,450	1,138
Loss on Brazilian warrants	6,962	1,400
Loss and impairment from investment in associates	2,400	201
Unrealized foreign exchange (gain) loss *(Note 17)*	1,165	(23,343)
Gain on restructuring *(Note 13)*	-	(25,380)
Impairment and write-off on property, plant and equipment and mineral properties	-	70,939
Other financial expense *(Note 18)*	1,263	42,766
Net change in non-cash working capital *(Note 22)*	(9,690)	1,118
Cash flows used in operating activities	$ (25,742)	$ (13,814)
Investing activities		
Acquisition of property, plant and equipment and mineral properties	$ (38,421)	$ (1,033)
Changes from acquisition of subsidiary *(Note 2)*	(930)	-
Issuance of note receivables	(5,000)	-
Cash flows used in investing activities	$ (44,351)	$ (1,033)
Financing activities		
Proceeds from conversion of debt financing	$ 9,750	$ -
Proceeds from debt financing	24,000	7,604
Net proceeds from issuance of shares	97,027	10,000
Change in restricted cash	-	146
Cash flows from financing activities	$ 130,777	$ 17,750
Effect of foreign exchange of non-US Dollar denominated cash	118	(53)
Increase in cash	60,802	2,850
Cash, beginning of period (including investment acquired)	2,875	25
Cash, end of period	$ 63,677	$ 2,875

The accompanying notes are an integral part of the consolidated 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 Arraias Phosphate Operations which produces Single Super Phosphate (“SSP”) located in central Brazil. On January 12, 2018, the Company purchased the Conda Phosphate Operations which produces mono-ammonium phosphate, super phosphoric acid, merchant grade phosphoric acid and specialty products located in Idaho, United States, and Canada (see Subsequent Events Note 25).

The Company’s development portfolio includes several additional projects in Brazil, including the Santana Project, a phosphate mine project located in Pará State and the Araxa Project, a rare earth elements, niobium and phosphate mine project located in Minas Gerais State. In addition, Itafos owns the Paris Hills Project, a phosphate mine project located in Idaho, United States and the Mantaro Project, a phosphate mine project located in Junin, Peru. It also has a 31.3% interest in the Farim Project, a phosphate mine project located in Farim, Guinea Bissau. Subsequent to year-end, this interest was increased to 100% (see Subsequent Events Note 25).

These consolidated 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. For the period ended December 31, 2017, the Company reported a net loss of $30,411 and an accumulated deficit of $389,106 at that date. In 2017, the Company continued to generate net financing proceeds from the issuance of shares and debt financing. In December 2017 and based on the Company’s operating plan and potential growth initiatives, the Company raised additional equity funding in the aggregate amount of approximately C$96,000. As of December 31, 2017, the Company had outstanding short-term debt financing of $25,530 which is due in Q1 2018. As per Note 25, Subsequent Events, the Company received additional debt financing of approximately $61,421 from the issuance of promissory notes. This financing is a step in the Company’s plan to bridge its short-term financing needs. Further the acquisition of the Conda Phosphate Operations and the production from of the Arraias Phosphate Operations will generate operating cash flow in 2018 for the Company. The Company has also received commitment from its principal shareholder to continue to provide financial support as required to meet its liabilities as and when they became due to ensure business continuity and ongoing operations over the next 12 months.

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

On January 6, 2017, the Company’s shares commenced trading on the Toronto Stock Exchange Venture (TSXV) under the trading symbol “IFOS” following the change of the Company’s name to “Itafos” in Q4 2016.

2. BASIS OF PREPARATION AND PRESENTATION

Statement of compliance

These 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”).

These financial statements were authorized for issuance by the Board of Directors of the Company on March 27, 2018.

Basis of preparation and presentation

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

On January 1, 2017, the Brazilian subsidiaries changed their functional currency from R$ to USD based on the Arraias Phosphate Operations re-commencing development activities and based on the financing of the entities. The parent entity and other subsidiaries have changed functional currencies from C$ to USD based on the change in location of the principal administrative office and the financing of the entities. Also, STG changed its functional currency from C$ to USD because of the acquisition of control.

Consolidation

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. At December 31, 2017, the Company has wholly owned subsidiaries located in Barbados, Brazil, British Virgin Islands, Canada, Cayman Islands, the Netherlands, Peru and the United States of America, as well as a non-controlling interest in its subsidiaries in Brazil, Itafos Arraias and Itafos Santana (see Note 15). The Company has an equity interest in GB Minerals Ltd. (“GBL”) at December 31, 2017. Subsequent to year end, the Company acquired the remaining interest and GB Minerals become a wholly owned subsidiary of the Company (see Notes 10 and 25).

	Group ownership	Non-controlling interest ownership
Itafos Arraias Mineracao e Fertilizantes S.A. (Itafos Arraias)	96.8%	3.2%
Itafos Santana Mineracao e Fertilizantes S.A. (Itafos Santana)	99.4%	0.6%

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 December 31, 2017, GBL is accounted for by the equity method as the Company has significant influence over this entity but does not control it.

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

The Company's principal shareholder is CL Fertilizers Holding, LLC, formerly known as Zaff LLC ("CLF"), a Delaware limited liability company with offices in Minneapolis, Minnesota, USA.

As of December 31, 2017, CLF beneficially own and controlled 81,452,992 shares of the Company, representing approximately 63.6% of the issued and outstanding shares of the Company (on an undiluted basis).

Acquisitions

On July 18, 2017, the Company closed the STG Arrangement. 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. The Company accounted for this transaction as an asset acquisition. 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 table sets out the allocation of the purchase price to assets acquired and liabilities assumed:

373,222,242 common shares of STG or 64.8% interest	$	4,327
Consideration for net assets (100%)		6,677
Warrants (included in other liabilities)		85
Transaction costs		193
Total consideration for net assets (100%)	**$**	**6,955**
Fair value of assets acquired, and liabilities assumed:		
Mineral properties	$	6,750
Cash and cash equivalents		194
Receivables		2
Prepaid expenses and other assets		41
Trade and other payable		(32)
Net assets acquired	**$**	**6,955**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term investments with terms of less than 90 days.

Inventories

Inventories, consisting of raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Mine operating spare parts and supplies are recorded at the lower of cost and net realizable value. During the pre-commercial production period, any adjustment from book value to net realizable value is capitalized to property, plant and equipment (see "Commencement of commercial production" policy below). Reversal of previous write-downs is made when there is an increase in the value of inventories.

Cost includes materials, direct labor, other direct costs and production overhead and amortization of plant, equipment and mineral properties directly involved in the mining and production processes. These costs are allocated to raw materials, work in process and finished goods based on the costs incurred in the applicable stage of processing. Overhead (indirect costs) are allocated based on normal levels of production. In periods where the Company produces at less than normal capacity, unallocated overhead costs are recognized as an expense in cost of sales in the period in which they are incurred. Prior to the commencement of commercial production, such costs are capitalized to property, plant and equipment. See "Commencement of Commercial Production" policy below. As phosphate is processed and sold, costs are removed on a weighted-average basis.

Property, plant and equipment

Buildings, plant and equipment are recorded at cost less depreciation and impairment losses. Cost includes all expenditures incurred to prepare the asset for its intended use. Costs are also capitalized to the extent they improve the productive capacity or extend the useful economic life of an asset. Depreciation commences when an asset is available for use.

The following table summarizes the bases of depreciation and useful economic lives of major categories of property, plant and equipment.

	Depreciation Method	Useful Life
Land	Not depreciated	–
Buildings	Straight-line	3 to 25 years
Machinery and equipment and other	Straight-line	2 to 10 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

The Company derecognizes property, plant and equipment upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized within other income (loss) in the statement of operations.

The Company reviews and tests the carrying amount of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"s). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets periodically over the term of the respective facility to which the borrowing costs relate, until such time as the assets are substantially ready for their intended use or sale, or until development of the qualifying asset is suspended.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is offset against the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Commencement of commercial production

The Company assesses each mine construction project to determine when a mine moves into the production stage. The Company defines the commencement of commercial production as the period during which the plant has reached a level that is consistent with the use intended by management; achieving a sustainable level of production that provides a basis for a reasonable expectation of profitability.

Costs specific to operations prior to this point, including depreciation of related plant and equipment, are capitalized and proceeds from sales during this period are offset against costs capitalized. Upon the achievement of commercial production, the capitalization of costs incurred ceases and revenues and costs are reflected in the statement of operations. The capitalized costs are expected to be depreciated over the useful life of the related asset. As at December 31, 2017, none of the Company’s properties were in commercial production.

Mineral properties and exploration and evaluation expenditures

The costs of acquiring land and mineral rights are capitalized based on the estimated fair value of reserves and resources at the date of acquisition. When production begins, capitalized acquisition costs and capitalized exploration and evaluation costs are amortized using the unit-of-production method based on estimated economically recoverable reserves. On acquisition of exploration properties, an estimate of the fair value of the exploration potential of the property is recorded, which is not subject to amortization. At the time the mine moves into commercial production, the associated cost is reclassified to an asset subject to amortization.

Costs incurred in exploration and evaluation of reserves and resources are expensed up until a time where the expenditures are deemed to have probable future economic benefit based on factors such as the receipt of an independent preliminary economic assessment or other study suggesting positive project economics. Such expenditures include geological and geophysical expenses, costs of drilling and general and administrative costs related to exploration and evaluation activities. Once a project is deemed to have probable future economic benefit, related costs incurred subsequent to this date are capitalized until either commercial production commences, or it is determined that the capitalized amounts will not be recovered. Capitalized costs are not amortized until transferred to amortizable mineral properties.

The mining operations are sometimes put on care and maintenance because a change in circumstances which is primarily related to a liquidity event, which makes production or further development uneconomical. Instead of shutting down and abandoning the property, operations and development may be curtailed and the mine is placed on a “care-and-maintenance” basis. During this period, depreciable assets continue to be depreciated, as appropriate, over their useful economic lives.

Deferred stripping costs

Stripping costs comprise the removal of overburden from a mine. Stripping costs that represent a betterment of a mineral property are capitalized to mineral properties. Such capitalized stripping costs are amortized on a unit-of-production method over the reserves and resources to which these costs relate. Other stripping costs are included in the cost of inventory produced during the period when the stripping benefits the production within the coming year.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently recorded at amortized cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan, are capitalized as a pre-payment for liquidity services and amortized using the effective interest rate method over the period of the facility to which it relates.

Provision for environmental restoration ("PER")

The Company recognizes the present value of an environmental restoration obligation in the period in which it is incurred and when a reasonable estimate of the fair value of such obligation can be made. The present value of the estimated PER is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is amortized to expense through depletion over the life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of this accretion is charged to earnings in the period. Revisions, if any, to the estimated timing of cash flows, to the original estimated undiscounted cost, or to update the discount rate to a current rate, if any, also result in an increase or decrease to the PER and the related asset. Actual costs incurred upon settlement of the PER are charged against the PER to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the PER and the recorded liability is recognized as a gain or loss in the Company's earnings in the period in which the settlement occurs. Costs arising from unforeseen remediation activity are recognized as an expense and liability when the event occurs that gives rise to an obligation and reliable estimates of the required rehabilitation costs can be made.

Share issuance costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, net of discounts, returns, sales allowances and sales taxes. Revenue is recognized when the product is shipped to the customer and title has been transferred, the significant risks and rewards of ownership have been transferred to the buyer, the price can be reliably measured, and it is probable that the economic benefits associated with the sale will flow to the Company. Prior to the commencement of commercial production, the Company capitalizes all revenues related to the Arraias Phosphate Operations to property, plant and equipment; see "Commencement of commercial production" policy.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted in the countries where the Company and its subsidiaries operate and generate taxable income, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Tax on income in interim periods is accrued using the estimated tax rate that would be applicable to expected total annual earnings.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Income (loss) per share

Basic net income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted net income (loss) per share is calculated using the treasury stock method and reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted net income (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. The calculation of basic and diluted EPS for all periods presented is adjusted retrospectively when the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue, or share split, or decreases as a result of a reverse share split.

Foreign currency translation

The following are the Company’s foreign currency translation methodologies:

i) Functional currency

   Items included in the financial statements of each entity consolidated within the Itafos group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of all of the Company’s subsidiaries is the US Dollar.

ii) Transactions and balances

   Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in currencies other than an entity’s functional currency are recognized in the statement of operations under foreign exchange gain/(loss).

iii) Presentation currency

   The presentation currency of the Company is USD.

Financial instruments

All financial instruments have been classified into one of the following four categories: fair value through profit or loss, loans and receivables, available-for-sale financial assets and financial liabilities at amortized cost. Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instruments.

Fair value through profit or loss financial instruments are measured at fair value and all gains and losses resulting from changes in those fair values are included in the statement of operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income (loss) until the instruments are derecognized or impaired. Available-for-sale securities are reviewed periodically for possible impairment and more frequently when economic or market concerns warrant such evaluation. An impairment is assessed if there is a significant or prolonged decline below the investment's carrying value. Loans and receivables and financial liabilities at amortized cost are measured at amortized cost and are amortized using the effective interest method. At the end of each reporting period, the Company determines if there is objective evidence that an impairment loss on financial assets measured at amortized costs has been incurred. If objective evidence exists that impairment loss for such assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the statement of operations in the period in which it arises.

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and debt. The Company has elected the following classifications:

Cash	*Loans and receivables*
Accounts receivables	*Loans and receivables*
Accounts payable and accrued liabilities	*Financial liabilities at amortized cost*
Debt	*Financial liabilities at amortized cost*
Warrants	*Fair value through profit and loss*

A financial asset is derecognized when its contractual rights to the cash flows that compose the financial asset expire or substantially all the risks and rewards of the asset are transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are included in the statement of operations in the period in which they arise.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision-maker, comprised of the senior management team, performs its planning, decision making, cash flow management and other management activities on such segment structure and relies on a management team with its members positioned in the United States and Brazil. The Company is organized on the basis of three segments:

Itafos Arraias	*Itafos Mineraçao plant activities*
Development and Exploration	*All other projects and activities in the exploration and development stage and investments*
Corporate	*Activities related to administration in United States of America, Cayman Islands, Canada (prior to emigration), Brazil, Barbados, British Virgin Islands, and the Netherlands*

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Estimates and judgments are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates are deemed critical if the Company's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

Critical judgments in the application of accounting policies

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) Ability to continue as a going concern

Significant judgments are used in the Company's assessment of its ability to continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of operations.

ii) Investments in associates

The Company reviews the carrying value of the investments whenever events or changes in circumstances indicate that impairment may be present. Estimates are made, assumptions are used in this review, and these are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying value of these investments.

iii) Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of the value in use amount or the fair value less costs of disposal in the case of property, plant and equipment and mineral property. These determinations and their individual assumptions require that management make decisions based on the best available information at each reporting period.

iv) Determination of economic viability of mineral property

Management has determined that costs associated with projects which have been capitalized have future economic benefits and are economically recoverable. In making this judgment, management assessed various sources of information including but not limited to the geologic and metallurgic information, the existence of economically recoverable reserves and resources, the ability of the Company to obtain the funding necessary to complete exploration and development activities and the future profitability, all of which are subject to significant risks and uncertainties.

v) Development Status

Effective January 1, 2017, the Arraias Phosphate Operations were determined to be in the development stage and finished care and maintenance. As a result, pre-commercial production costs, including interest incurred on qualifying assets and depreciation of applicable assets has been re-capitalized where used in the development of the operations.

vi) Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements. Refer to note 21 for more information.

Key sources of estimation uncertainty in the application of accounting policies

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

i) Mineral reserves estimate

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, based on certain prescribed standards, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and certain assumptions including economic assumptions such as commodity prices and market conditions which could have a material effect in the future of the Company's financial position and results of operation.

A number of accounting estimates, as described in the relevant accounting policy notes above, are impacted by the reserve and resource estimate including:

Mineral properties and exploration and evaluation expenditures and associated depreciation expense

Impairment of non-current assets

Provision for environmental restoration and related accounts

ii) Impairment of mineral properties

While assessing whether any indicators of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information include the manner in which property, plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to: estimates of the discounted future cash flows expected to be derived from the Company's mineral properties, costs to sell the mineral properties and the appropriate discount rate. Reductions in price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reduction in the amount of recoverable mineral reserves and resources and/or adverse current economics can result in a write-

down of the carrying amounts to the Company's mineral properties.

At December 31, 2017, an impairment test was conducted on the Company's Itafos property due to the Company's market capitalization being below the carrying value of net assets. The recoverable amount of the Itafos Arraias cash generating unit (CGU) has been determined using a fair value less costs of disposal (FVLCD) model. This is a discounted cash flow model, representing management's estimate of the expected return that a market participant would obtain from the property based on operating the Itafos Arraias property in accordance with its best and intended use. In forming the model, data with respect to the mine's operating capability in accordance with the technical report issued on March 27, 2013 has been taken into consideration.

As a result of the test, no impairment charge was recorded to the property's carrying amount as at December 31, 2017. Some of the key assumptions incorporated into management's estimate are noted as follows:

SSP sales price (2018 – 2019):	***$175-$185-/ton***
SSP sales price (2020 onward):	***$202/ton***
Long-term Brazilian Real: US dollar exchange rate:	***R$3.40: $1***
Weighted average cost of capital	***9.40% p.a.***
Conversion factor of Measured & Indicated resources to mineable property	***60%***

A summary of the impact on the impairment charge for a change in the key assumptions, holding all other factors in the model constant, are noted as follows:

10% reduction in long-term SSP sales price:	***Impairment of approximately $68 million***
10% strengthening in long-term Brazilian Real against the US dollar:	***Impairment of approximately $53 million***
1% increase in weighted average cost of capital	***Impairment of approximately $22 million***
10% reduction in conversion of Measured & Indicated resources	***Impairment of $2 million***

As at December 31, 2016, as a result of the impairment test performed, it was determined that Itafos Arraias' FVLCD was below the carrying value of $302,300 and an impairment charge was recorded to the property's carrying amount as at December 31, 2016 of $53,900. Some of the key assumptions incorporated into management's estimate were as follows:

SSP sales price (2017 – 2018):	***$185/ton***
SSP sales price (2019 onward):	***$200/ton***
Long-term Brazilian Real: US dollar exchange rate:	***R$3.40: $1***
Weighted average cost of capital	***9.32% p.a.***
Conversion factor of Measured & Indicated resources to mineable property	***60%***

A summary of the impact on the impairment charge for a change in the key assumptions, holding all other factors in the model constant, are noted as follows:

10% reduction in long-term SSP sales price:	***Impairment of approximately $73 million***

10% strengthening in long-term Brazilian Real against the US dollar:	***Impairment of approximately $48 million***
1% increase in weighted average cost of capital	***Impairment of approximately $22 million***
10% reduction in conversion of Measured & Indicated resources	***Impairment of $2 million***

iii) Income taxes

The Company is subject to income taxes in numerous jurisdictions. The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the realizability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery). These estimates also consider the change in the Company's domicile in 2016.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective until fiscal years beginning on or after January 1, 2018 and have not been early adopted. Pronouncements that are not applicable to the company have been excluded from those described below.

International Financial Reporting Standard 15, Revenue from Contracts with Customers ("IFRS 15")
The International Accounting Standards Board ("IASB") has issued a new standard for the recognition of revenue, IFRS 15 – Revenue from Contracts. This standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities recognize transitional adjustments in retained earnings on the date of initial application (i.e. January 1, 2018), without restating the comparative period. Entities will only need to apply the new rules to contracts that are not completed as of the date of initial application. The standard is effective for annual reporting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has not reached yet commercial production, thus revenue contracts entered into in 2018 will be in accordance with IFRS 15.

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")
IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and introduced a new impairment model. These latest amendments now complete the new financial instruments standard. IFRS 7 (Financial Instruments: Disclosure) addresses the disclosure of financial assets and financial liabilities in the financial statements. IFRS 7 will be amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective on adoption of IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has evaluated the standard and has concluded that the application of IFRS 9 will not have a material impact on its consolidated financial statements.

International Financial Reporting Standard 16, Leases ("IFRS 16")
In January 2016, the IASB issued IFRS 16 which replaces existing standards and interpretations under IAS 17 "Leases". IFRS 16 requires all leases, including financing and operating leases, to be reported on the balance sheet with the intent of providing greater transparency on a company's lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company has not evaluated the impact of adopting this standard and will not adopt the standard early.

6. INVENTORIES

	December 31, 2017	December 31, 2016
Finished goods	$ 567	$ -
Work in process	7,813	9
Raw materials	2,790	514
Spare parts	1,220	147
Net realizable value adjustments	(4,113)	(189)
	$ 8,277	$ 481

Inventory include a net realizable value adjustment of $4,113 (2016 - $189).

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and plant	Machinery, equipment and other	Asset under construction	Total
Cost					
Balance as at December 31, 2015	**$ 2,689**	**$ 105,218**	**$ 174,313**	**$ -**	**$ 282,220**
Exchange differences	584	22,930	36,596	-	60,110
Write-off and impairment	-	(70)	(57,986)	-	(58,056)
Balance as at December 31, 2016	**$ 3,273**	**$ 128,078**	**$ 152,923**	**$ -**	**$ 284,274**
Additions	-	-	4,637	36,351	40,988
Disposals	-	-	(642)	-	(642)
Balance as at December 31, 2017	**$ 3,273**	**$ 128,078**	**$ 156,918**	**$ 36,351**	**$ 324,620**
Accumulated depreciation					
Balance as at December 31, 2015	$ -	$ 14,121	$ 21,385	$ -	$ 35,506
Depreciation charge	-	7,321	10,951	-	18,272
Exchange differences	-	3,283	4,649	-	7,932
Balance as at December 31, 2016	$ -	$ 24,725	$ 36,985	$ -	$ 61,710
Depreciation charge	-	-	125	-	125
Disposals	-	-	(642)	-	(642)
Balance as at December 31, 2017	**$ -**	**$ 24,725**	**$ 36,468**	**$ -**	**$ 61,193**
Carrying value					
As at December 31, 2016	**$ 3,273**	**$ 103,353**	**$ 115,938**	**$ -**	**$ 222,564**
As at December 31, 2017	**$ 3,273**	**$ 103,353**	**$ 120,450**	**$ 36,351**	**$ 263,427**

During 2016, a review of Itafos Arraias' physical condition was performed and, during the physical analysis of the plant, damaged assets at the plant site were noted. The carrying value of the assets in question were adjusted downwards by $9,500. Based on an internal review, the Company estimated that as at December 31, 2016, the carrying value of the Itafos Arraias cash generating unit (CGU) exceeded its recoverable value by approximately $53,900. The $53,900 adjustment was recognized with $48,500 being recorded as an impairment of property, plant and equipment, and $5,400 being recorded as an impairment of mineral properties.

Effective January 1, 2017, the Arraias Phosphate Operations were determined to be in the development stage. As a result, pre-commercial production costs began to be capitalized and property, plant and equipment are not subject to depreciation.

8. MINERAL PROPERTIES

	Development costs	Exploration and evaluation costs	Accumulated depletion	Net book value
Balance as at December 31, 2015	$ 32,590	$ 11,759	$ (1,428)	$ 42,921
Additions	734	-	-	734
Exchange differences	7,755	2,107	(310)	9,552
Write-off and impairment	(11,022)	(1,861)	-	(12,883)
Balance as at December 31, 2016	$ 30,057	$ 12,005	$ (1,738)	$ 40,324
Additions	121	6,750	-	6,871
Disposals	-	-	-	-
Balance as at December 31, 2017	**$ 30,178**	**$ 18,755**	**$ (1,738)**	**$ 47,195**

As of December 31, 2016, the carrying values of the Itafos Arraias and Itafos Santana cash generating units (CGUs) exceeded their recoverable amounts by approximately $59,781. The carrying values of those two CGUs were adjusted by that $59,781. The $59,781 with $10,981 being recorded as an impairment of mineral properties and $48,800 being recorded as an impairment of property, plant and equipment. The $59,781 reduction in carrying value was recorded as a reduction of $53,900 in the Itafos Arraias CGU and the remainder to the Itafos Santana CGU. The Itafos Arraias CGU was reduced by $53,900 from its 2016 beginning carrying value of $302,300 to a December 31, 2106 ending balance of $248,400. The Itafos Santana CGU was reduced by $5,881 from its 2016 beginning carrying value of $16,881 to a December 31, 2016 ending balance of $11,000.

The Itafos Araxa project write-down of $1,900 is related to capitalized costs for feasibility studies which are not currently expected to have economic benefits in the future. The Company maintained a carrying amount of approximately $100 on the financial statements related to the mineral rights of Itafos Araxa.

9. OTHER ASSETS

	December 31, 2017		December 31, 2016
Tax credits	$	14,478	$ 17,656
Promissory note receivable from GBL (balance includes interest accrual of $145)		5,145	-
Advances to suppliers		1,690	2,364
Other		2,212	512
		23,525	20,532
Less: current portion		9,005	3,212
	$	**14,520**	$ 17,320

Other current assets

	December 31, 2017		December 31, 2016
Tax credits	$	483	$ 377
Promissory note receivable from GBL (balance includes interest accrual)		5,145	-
Advances to suppliers		1,690	2,364
Other		1,687	471
	$	**9,005**	$ 3,212

Tax credits consist of Brazilian state and federal value-added taxes that accumulated primarily on purchases of property, plant and equipment. The tax credits can be applied to offset and potentially reimburse certain value added taxes and other taxes payable in future periods. As of December 31, 2017, and 2016, the Company had tax credits of $14,478 and $17,656, respectively.

During 2017, the Company provided promissory notes to GBL in the aggregate amount of $5,000. The promissory notes mature on January 31, 2018 and June 30, 2018 and bear interest at 15%, payable quarterly. No demand for payment has been made in respect of the January 31, 2018 promissory note.

10. INVESTMENTS IN ASSOCIATES

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

Investment in GBL

On October 27, 2016, through the issuance of 8,536,757 shares to CLF, the Company acquired ownership of 341,470,265 common shares of GBL, representing a 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 were traded on the TSX Venture Exchange. The fiscal year-end date of GBL is June 30. On February 27, 2018, the Company acquired 100% control of GBL (see Note 25).

Balance as at December 31, 2015	**$**	**-**
Acquisition of shares		15,864
Proportionate share of net loss		(226)
Proportionate share of other comprehensive loss		(38)
Balance as at December 31, 2016	**$**	**15,600**
Proportionate share of net loss		(1,820)
Proportionate share of other comprehensive loss		(55)
CTA from investment in associate		1,349
Balance as at December 31, 2017	**$**	**15,074**

Investment in STG

On October 27, 2016, through the issuance of 1,033,003 shares to CLF, the Company acquired ownership of 154,950,462 common shares of STG. 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. Those 154,950,462 common shares represented approximately a 36.5% interest in STG. On January 5, 2017, the Company decreased its investment in STG from 36.5% to approximately 29.6% because 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 the exercise of warrants by third party warrant holders. On July 18, 2017, the Company acquired 100% control of STG (see Note 2).

Balance as at December 31, 2015	**$**	**-**
Acquisition of shares		1,920
Proportionate share of net loss		25
Proportionate share of other comprehensive loss		268
Balance as at December 31, 2016	**$**	**2,213**
Acquisition of 47,500,000 shares		725
Proportionate share of net loss		(77)
Proportionate share of other comprehensive loss		(103)
Impairment loss		(503)
CTA from investment in associate		96
Transfer to investment in consolidated subsidiaries		(2,351)
Balance as at December 31, 2017	**$**	**-**

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Payroll and related taxes payable	$ 2,266	$ 7,365
Taxes payable	5,450	6,768
Trade payables	3,745	375
Accrued liabilities and other	5,476	4,837
	$ 16,937	$ 19,345

Payroll and related taxes payable were $2,266 and $7,365 as of December 31, 2017 and 2016, respectively. Taxes payable were $5,042 and $6,768 as of December 31, 2017 and 2016, respectively. These balances primarily consist of overdue taxes related to ex-employees and payroll tax amounts. Interest has been accrued on these amounts.

On September 29, 2017, the Company applied to the new Brazilian tax amnesty program (PERT), which allows discounts on tax penalties and interest. The request was accepted, effective on the day of the filing and receipt of the first payment on September 29, 2017. The company opted to make a payment for the minimum amount of its consolidated tax liability and agreed to make future payment installments over an eight-year period. The Company update of its tax liability position resulted in a reduction of its tax obligations of approximately $7,316 mainly related to $2,780 obtained via PERT program and $4,536 used to offset social and sales tax obligations.

During 2016, the Company received court approval and initiated the issuance of debentures and warrants, a restructuring transaction under an Extrajudicial Restructuring Proceeding in Brazil (the “Brazilian Restructuring”) and the Company initiated and implemented a recapitalization and restructuring process in accordance with the provisions of the Companies’ Creditors Arrangements Act in Canada (the “Canadian Restructuring”). The outstanding trade payables were settled in accordance with the terms agreed in the Canadian Restructuring (including settlement of the Modal debt), and the Brazilian Restructuring. This resulted in a gain on restructuring of $25,380 which was recognized in the statement of operations.

12. PROVISIONS

	December 31, 2017	December 31, 2016
Legal contingencies	$ 542	$ 975
Environmental restoration	2,952	586
	3,494	1,561
Less: current portion	542	975
	$ 2,952	$ 586

13. DEBT, DEBENTURES AND OTHER LIABILITIES

a) Debt

On February 23, 2017, the Company entered into a promissory note with CLF pursuant to which it received funding in the amount of $3,000 (the "CLF Note"). On March 9, 2017, the Company closed a brokered private placement of shares at a price of C$2.10 for gross proceeds of $34,054 (net of transaction costs of $1,214 for net proceeds $32,840). This amount includes the conversion of $3,000 through the issuance of 1,906,541 shares to settle the CLF Note.

On August 11, 2017, the Company received funding from CLF and Pala Investments Limited ("Pala") in the aggregate amount of $10,000. Those transactions were documented by means of a $5,000 promissory note to CLF and a $5,000 promissory note to Pala. These promissory notes mature on January 31, 2018. The promissory notes have a 15% interest rate with interest payable quarterly. On October 23, 2017, the Company issued amended notes of $1,500, $2,800, and $1,200 to CLF and a $5,000 to Pala. As the change in future payment terms expected was determined to not be substantial, the amendments were recorded as a debt modification. Accordingly, the effective interest rate on the notes were recalculated at the amendment date based on the carrying value of the debt and the expected future payment terms and no gain or loss was recorded through profit and loss.

On September 9, 2017, the Company received funding from CLF in the amount of $4,500 and documented such transaction by means of a promissory note to CLF. This promissory note matures on February 28, 2018. This promissory note has a 15% interest rate with interest payable quarterly. On October 23, 2017, the Company issued an amended $4,500 note due to CLF maturing on January 31, 2018. Accordingly, the original effective interest rate on the CLF promissory note was applied to the amended note. Accordingly, a loss was recognized as a borrowing cost.

On October 11, 2017, the Company received funding from Pala in the amount of $2,000 and documented such transaction by means of a promissory note to Pala. On October 23, 2017, the company issued an amended $2,368 note due to Pala. As the change in future payment terms expected was determined to be substantial, the amendment was recorded as an extinguishment of the original note and recognition of the new note. Accordingly, a loss on extinguishment was recorded through profit and loss. On October 25, 2017, CLF assigned all its promissory notes to four (4) funds managed by Ice Canyon, a global investment management firm. Pala assigned a promissory note in the principal amount of $5,000 to one (1) of the funds managed by Ice Canyon. The Company received funding from CLF in the amount of $9,500 and documented such transaction by means of a promissory note to CLF. The Company received funding from Pala in the amount of $4,750 and documented such transaction by means of a promissory note to Pala.

On December 19, 2017, the Company completed the December Offering at a price per share of C$2.10 and received net proceeds of $74,887, after deducting transaction costs. This amount includes the conversion of $7,519 through the issuance of 4,585,042 shares to settle the outstanding unsecured promissory note issued by the Company to Pala.

	CLF	Pala	Ice Canyon Funds	Total
Balance as at December 31, 2016	$ -	$ -	$ -	$ -
Issuance of promissory notes	22,000	14,000	-	36,000
Interest accruals and OID discounts	1,117	769	413	2,299
Assignment of promissory notes	(10,000)	(5,000)	15,000	-
Extinguishment of promissory notes	-	(2,250)	-	(2,250)
Capitalization of promissory notes	(3,000)	(7,519)	-	(10,519)
Balance as at December 31, 2017	**$ 10,117**	**$ -**	**$ 15,413**	**$ 25,530**

b) Brazilian debentures and Other equity warrants

	December 31, 2017	December 31, 2016
Brazilian debentures [1]	$ 1,713	$ 2,062
Other entity warrants	85	2,100
	1,798	4,162
Less: current portion	184	2,387
	$ 1,614	$ 1,775

[1] $184 and $2,387 included in other current liabilities as of December 31, 2017 and December 31, 2016, respectively.

Brazilian debentures of $1,713 and $2,062 as of December 31, 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 with third parties of $Nil and $2,100, as of December 31, 2017 and December 31, 2016, respectively, were exercised into preferred shares of Itafos' Brazilian subsidiaries at a conversion rate of R$1 per share with an original expiration date of December 31, 2017. The Brazilian warrants were recorded at par value. The percentage of Non-controlling interest (NCI) percentage over the Brazilian subsidiaries is 3.8%, the net warrant expense effect is $6,962 as of December 31, 2017.

Warrants of $85 and $0 as of December 31, 2017 and 2016, respectively, are related to the acquisition of control of STG. On July 18, 2017, 100,000,000 outstanding common share purchase warrants of STG were exchanged for 800,000 ordinary share purchase warrants of the Company. See Note 2.

c) Canadian debentures

	December 31, 2017	December 31, 2016
Canadian debentures	$ 3,200	$ 2,819
Less: current portion	960	340
	$ 2,240[2]	$ 2,479[2]

[(2)] Balance includes interest accruals

Canadian debentures of $3,200 and $2,819, as of December 31, 2017 and 2016, respectively, were issued to CLF and to Banco Modal S.A. (“Modal”). These debentures mature in 10 (ten) years, on October 27, 2026. The instruments had a 10% interest rate with interest and principal payable in ten annual payments.
On July 28, 2017, CLF assigned to Modal C$1,753 of the C$2,584 convertible debenture issued by the Company to CLF on October 27, 2016 (the “CLF Debenture”). Following the assignment, the parties agreed to break into two separate instruments, the CLF Debenture to reflect (i) Modal as the holder of C$1,753 and (ii) CLF as the holder of C$831. In addition, the Company and Modal agreed to amend its convertible debentures of C$1,107 and the C$1,753. The amendments reduced the term from 10 years to 4 years and reduced the interest rate from 10% to 7.5%. As the change in future payment terms expected was determined to not be substantial, the amendments were recorded as a debt modification. Accordingly, the original effective interest rate on the Modal debenture was applied to the amended debenture. Accordingly, a loss was recognized as a borrowing cost.

14. OTHER LONG-TERM LIABILITIES

	December 31, 2017	December 31, 2016
Withholding taxes payable	$ 7,488	$ 6,295
Long-term taxes payable	251	966
Share-based payments	994	-
	$ 8,733	$ 7,261

Withholding taxes payable

Withholding taxes payable of $7,488 and $6,295 as of December 31, 2017 and 2016, respectively, are mainly related to the taxes payable to the Brazilian tax authorities resulting from 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 $251 and $966 as of December 31, 2017 and 2016, respectively, are primarily comprised of income tax amounts (See Note 19 for further details).

Share-based payments

Share-based payments of $994 and $0 as of December 31, 2017 and 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 2017, the Company granted 1,709,380 RSUs under the Company’s RSU Plan. 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 year ended December 31, 2017, share-based payment expense of $994, respectively, has been recognized in the consolidated statement of operations.

	Number of RSUs
Number as at December 31, 2016	-
Granted	1,709,380
Forfeiture	(77,500)
Number as at December 31, 2017	**1,631,880**

15. SHARE CAPITAL

Authorized capital

The Company is authorized to issue up to 5,000,000,000 shares. 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 CLF Note. On July 18, 2017, 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 for a net conversion of $4,327 (See Note 2). On December 15, 2017, the Company completed a private placement of shares at a price of C$2.10 per share and received net proceeds of $74,887. As of December 31, 2017, and 2016, the Company had 128,018,569 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 $10,000 in return for issuance of 5,374,800 shares.

Weighted-average number of shares and dilutive share equivalents

	For the year ended December 31,	
	2017	2016
Weighted average number of shares	**78,814,012**	11,343,287
Weighted average number of dilutive options and convertible debentures	-	-
Diluted weighted average number of shares	**78,814,012**	11,343,287

Non-controlling interest of Brazilian subsidiaries

Brazilian warrants with third parties exercised into preferred shares of Itafos' Brazilian subsidiaries at a conversion rate of R$1 per share had an original expiration date of December 31, 2017. There are 29,804,079 preferred shares issued in the Brazilian' subsidiaries.

The Brazilian warrants were recorded at fair value at R$1 per share and R$0.01 conversion subscription price. The preferred shares will participate, on equal terms with other classes of shares, in declared dividends of the respective companies. In effect, earnings are only attributable to non-controlling interests when the preferred shareholders are paid dividends. Annual net and comprehensive loss is not allocated to non-controlling interests

until the net book assets of the Brazilian subsidiaries are below the book value of the preferred shares.

The Non-controlling interest (NCI) percentage in the Brazilian subsidiaries is 3.8%. As a result of the conversion of warrants to preferred shares, the net warrant expense of $6,962 as of December 31, 2017 ($2,100 as of December 31, 2016) was recorded in Non-controlling interest. The preferred shares issued were valued at a total of $9,062 at December 31, 2017. No net loss or comprehensive loss was allocated to NCI for the year.

16. EXPENSES BY NATURE

The following table breaks down the Company's selling, general and administrative expenses by nature:

	For the year ended December 31, 2017	2016
Payroll expenses	**$ 6,755**	$ 3,083
Professional fees	**8,057**	6,461
Share-based payment expense (recovery)	**994**	(257)
Office and general	**3,250**	779
Directors fees	**391**	110
Idle production costs, net	**-**	20,602
SG&A expense	**$ 19,447**	$ 30,778

17. FOREIGN EXCHANGE GAIN (LOSS)

During the year ended December 31, 2017 and 2016, the Company recognized an unrealized foreign exchange loss of $1,164 and an unrealized foreign exchange gain of $23,343, respectively. These amounts are primarily comprised of the unrealized loss resulting from translating monetary items denominated in the Brazilian Real.

18. FINANCE INCOME (EXPENSE)

	For the year ended December 31, 2017	2016
Interest expense	$ (1,096)	$ (41,465)
Other financial expense	(313)	(1,365)
Interest income	146	64
Finance expense	$ (1,263)	$ (42,766)

19. INCOME TAXES

The following table provides reconciliation of the statutory rate and the effective income tax rate:

	For the year ended December 31,	
	2017	2016
Loss before income taxes	$ (28,497)	$ (99,530)
Cayman Islands statutory tax rate	0%	0%
Income tax recovery based on Cayman Islands income tax rate	$ -	$ -
Difference in foreign tax rates	(7,769)	(35,863)
Non-deductible/taxable items	391	(15,996)
Tax benefit not recognized	7,842	51,900
Withholding taxes	1,450	1,146
Other	-	(49)
Income tax expense	$ 1,914	$ 1,138
Actual effective tax rate	(6.7)%	(1.1)%

	For the year ended December 31,	
	2017	2016
Current income tax expense		
Cayman Islands	$ -	$ -
Foreign	464	-
Current income tax expense	$ 464	$ -
Deferred income tax expense		
Relating to origination and reversal of temporary differences		
Cayman Islands	-	-
Foreign	1,450	1,138
Deferred income tax expense	1,450	1,138
Net income tax expense	$ 1,914	$ 1,138

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized.

As at December 31, 2017 the Company has significant Brazilian tax losses that may be carried forward indefinitely to offset taxable income in any given period. The Company has not recognized any deferred tax assets for its temporary differences. The interpretation of tax regulations and legislation and their application to the Company's business is and subject to change. Accordingly, the Company's ability to realize deferred income tax assets could significantly affect net income or cash flow in future periods.

Brazilian Tax Assessments

In 2017, the Company elected to participate in a tax amnesty program (PERT), which allows discounts on tax

penalties and interest, to settle various significant outstanding income tax assessments associated with its subsidiaries in Brazil. In coming to the decision to participate in the program, the Company analyzed the costs and risks involved in continued litigation versus the potential financial burden that would be incurred by not

participating in the program and then being unsuccessful in reducing the income assessment via other means. Also contributing to the Company's decision is the financial burden imposed on those who take their disputes through the courts, which requires a bond or other collateral to be posted.

20. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be involved in legal proceedings 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 December 31, 2017, the Company does not believe that the outcome of any of the matters, individually or in aggregate, not recorded in the financial statements would have a material adverse effect. The Company has currently accrued $542 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.

21. 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 Operations segment is comprised of activities at the Arraias Phosphate Operations. The Development and Exploration segment is comprised of activities related to the Itafos Santana Phosphate Project, the Itafos Araxa Project, STG and the Paris Hills Project and equity investee. 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 and in the United States (other than the equity investments assets which are in West Africa).

Year ended December 31, 2017	**Arraias Phosphate Operations**	**Development and Exploration**	**Corporate**	**Total**
Operating expenses				
Selling, general and administrative expenses	$ 7,328	$ 1,522	$ 10,597	$ 19,447
Operating loss	(7,328)	(1,522)	(10,597)	(19,447)
Foreign exchange gain (loss)	(821)	(174)	(170)	(1,165)
Other income	2,642	-	98	2,740
Finance expense	(439)	-	(824)	(1,263)
Loss and impairment from investment in associates	-	(2,400)	-	(2,400)
Other expenses Brazilian warrants	(6,962)	-	-	(6,962)

(Note 15)				
Loss before income taxes	(12,908)	(4,096)	(11,493)	(28,497)
Current and deferred income tax	-	-	1,914	1,914
Net loss	**$ (12,908)**	**$ (4,096)**	**$ (13,407)**	**$ (30,411)**

Year ended December 31, 2016	**Arraias Phosphate Operations**	**Development and Exploration**	**Corporate**	**Total**
Expenses				
Selling, general and administrative expenses	$ 4,639	$ 112	$ 5,425	$ 10,176
Operations care and maintenance expenses	20,602	-	-	20,602
Write-off of property, plant and equipment and mineral properties	7,497	-	3,662	11,159
Impairment and write-off of property, plant and equipment and mineral properties	53,900	5,881	-	59,781
Operating loss	(86,638)	(5,993)	(9,087)	(101,718)
Foreign exchange gain (loss)	12,858	15	10,470	23,343
Other income (expense)	(3,582)	14	-	(3,568)
Gain on restructuring	18,684	-	6,696	25,380
Finance (expense) income	(42,101)	(5,937)	5,272	(42,766)
Equity earnings from unconsolidated subsidiaries	-	(201)	-	(201)
Income (loss) before income taxes	(100,779)	(12,102)	13,351	(99,530)
Income tax expense	-	-	1,138	1,138
Net income (loss)	**$ (100,779)**	**$ (12,102)**	**12,213**	**$ (100,668)**

22. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital:

	December 31, 2017	December 31, 2016
Accounts receivable	$ 51	$ (162)
Inventories	(7,765)	13
Other assets and prepaids	1,692	815
Accounts payable and accrued liabilities	(3,145)	670
Other liabilities and provisions	(523)	(218)
	$ (9,690)	**$ 1,118**

23. 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 year ended December 31,		
		2017		2016
Management compensation and director fees	$	2,012	$	2,066
Termination benefits related to restructuring		-		612
Other benefits		30		124
	$	2,042	$	2,802

CLF Working Capital

On February 23, 2017, the Company received funding from CLF in the amount of $3,000 and documented such transaction by means of the CLF Note. On March 9, 2017, CLF settled the CLF Note via the receipt of 1,906,541 shares *(Note 13 a)*.

GBL Promissory Note Receivable

The Company provided loans to GBL in the amount of $5,000. See Note 9.

CLF and Pala Promissory Notes

On August 11, 2017, the Company received funding from CLF and Pala in the aggregate amount of $10,000. On September 9, 2017, the Company received funding from CLF in the amount of $4,500. On October 11, 2017, the Company received funding from Pala in the amount of $2,000. On October 25, 2017, CLF assigned all its promissory notes to four (4) funds managed by Ice Canyon, a global investment management firm. Pala assigned a promissory note in the principal amount of $5,000 to one (1) of the funds managed by Ice Canyon. The Company received funding from CLF in the amount of $9,500 and documented such transaction by means of a promissory note to CLF. The Company received funding from Pala in the amount of $4,750 and documented such transaction by means of a promissory note to Pala. See Note 13.

24. 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. The Company's risk exposures and the impact on the Company's financial performance are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to certain other long-term assets. Management reviews the aging of receivables and reduces the carrying value to provide for possible losses. At December 31, 2017, the Company had minimal accounts receivable of $116 (December 31, 2016, $169). Cash consists of funds that have been deposited with reputable financial institutions and management believes the risk of loss to be remote.

Liquidity risk

The Company continues to focus on improved efficiencies in operations to maximize margins as well as fund development activities and further growth. In addition to the equity financing raised in its private placement, management is pursuing further equity and/or debt financing to support the funding of strategic, general corporate and working capital requirements. Based on Itafos' strong capital base combined with continued interest in its platform from a diverse set of potential investors, management does not anticipate any significant challenges in raising the financing. The Company is in the process of securing a long-term debt financing structure and is in advanced discussions with interested potential investors. Further with the strategic acquisition of CPO a free cash flow generating facility in January 2018, the Company has further consolidated its operating as well as financial position. Based on the current operating plan and potential growth initiatives, the Company expects to raise additional equity funding.

Interest rate risk

Prior to CCAA restructuring, the Company was exposed to interest rate risk on its variable rate debt. Subsequent to the restructuring, all of the Company's debt was converted to equity, which thereby significantly reduced the Company's interest rate risk. At December 31, 2017 the Company's debentures are carried at a fixed interest rate around 15% payable annually.

Foreign currency risk

The following table summarizes the foreign exchange movement and financial impact during the respective periods:

	December 31, 2017	December 31, 2016
BRL weakening against USD	1.7%	17.8%
CAD weakening (strengthening) against USD	(7.0%)	3%
Unrealized and realized foreign exchange gain (loss)	$ (1,165)	$ 23,343
Cumulative translation gain (loss)	$ 1,284	$ 5,817

On January 1, 2017, the Brazilian subsidiaries changed their functional currency from R$ to USD based on the Arraias Phosphate Operations re-commencing development activities and based on the financing of the entities. The parent entity and other subsidiaries have changed functional currencies from C$ to USD based on the change in location of the principal administrative office and the financing of the entities.

Commodity price risk

The Company is exposed to commodity price risk with respect to phosphate and SSP fertilizer. Phosphate and SSP fertilizer prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions of major fertilizer producing countries. The profitability of the Company is directly related to the market price of its products. Future price declines

could negatively impact the Company's future operations. The Company has not hedged any of its future fertilizer sales.

Capital management

The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of equity and debt financing. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the Company. Itafos monitors its capital through its net cash position. The Company maintains this structure by managing working capital and capital spending programs and reviews its capital management approach on an ongoing basis

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.

Fair value measurements using unobservable inputs (level 3)

	Carrying value	**Level 3 fair value**
Warrants	6,962	6,962
Non-controlling interest	9,062	9,062

Property, Plant and Equipment, and Mineral Rights were included as level 3 in 2016 due to fair value was equal to discounted cash flow.

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.

The Company also has financial instruments which are not measured at fair value in the balance sheet. The carrying value of cash, accounts receivables, accounts payable, accrued liabilities, debt and debentures

approximate their fair values in the consolidated balance sheets. The fair values are not materially different to their carrying or amortized amounts since the interest receivable and or payable is either close to current market rates or the instruments are short-term in nature.

25. SUBSEQUENT EVENTS

- On January 12, 2018, the Company completed the acquisition of the Conda Phosphate Operations from Agrium Inc., a wholly-owned subsidiary of Nutrien Ltd., with payment of cash consideration at closing of $66,500. The purchase price is subject to adjustment based on existing inventory at the time of closing. As of this date, the purchase price adjustment process as outlined in the Conda purchase agreement is ongoing. The transaction included long-term strategic supply and off-take agreements. Under the terms of the supply and off-take agreements, Agrium will supply 100% of the ammonia requirements of Conda Phosphate Operations and purchase 100% of MAP product produced, with pricing formulas for both tied to benchmark phosphate fertilizer prices; and

  The Company accounted for the acquisition of the Conda Phosphate Operations as a business combination. At the date the financial statements were issued, the Company had not yet completed the accounting for the acquisition of the Conda Phosphate Operations. The fair value of the net assets acquired has not yet been determined as the independent valuations have not been finalized. The Company estimates that the valuations and subsequent accounting will be completed during the second quarter 2018.

- On February 27, 2018, the Company completed a plan of arrangement under the Business Corporations Act (British Columbia) with GBL. Pursuant to the terms of that plan of arrangement, the Company acquired all the issued and outstanding common shares of GBL that were not already owned directly or indirectly by the Company. As a result of the transaction, GBL became a wholly owned subsidiary of the Company. The Company accounted for this transaction as an asset acquisition. On closing of the arrangement, an aggregate of 11,301,732 ordinary shares of the Company were issued to GBL shareholders at an exchange ratio of (i) 0.035714 of a Company's share for each outstanding GBL share, for those GBL shareholders who elected to receive solely shares consideration, or (ii) 0.011905 of a Company's share for each outstanding GBL share, for those GBL shareholders who elected to receive cash and shares consideration. As a result of the arrangement, all outstanding options of GBL were paid and/or cancelled.

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

747,948,785 common shares of GBL or 68.7% interest	$	49,047
Total consideration for net assets (100%)	**$**	**71,393**

Fair value of assets acquired, and liabilities assumed:

Mineral properties	$	82,497
Cash and cash equivalents		3,245
Prepaid expenses		308
Equipment		213
Other receivables		28
Notes payable		(12,515)
Accounts payable and accrued liabilities		(2,269)
Other liabilities		(114)
Net assets acquired	**$**	**71,393**

- In Q1, 2018 the Company provided a loan to GBL in the amount of $4,500. This transaction was documented by means of an unsecured promissory note from GBL to the Company. This unsecured promissory note matures on July 31, 2018 and has a 15% interest rate with interest payable quarterly.

- In Q1, 2018 the Company received funding from various lenders (including CLF) in the aggregate amount of $61,421. These transactions were documented by means of unsecured promissory notes from the Company to each lender. These unsecured promissory notes mature on March 30, 2018 and have a 15% interest rate with interest payable quarterly.