Condensed Consolidated Interim Financial Statements
for the three months and nine months ended September 30, 2018
(Unaudited)

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CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

(unaudited in thousands of US Dollars)		September 30, 2018		December 31, 2017
Assets				
Cash	$	27,247	$	63,677
Accounts receivable		26,428		116
Short-term investments (*Note 6)*		2,091		–
Inventories, net (*Note 7*)		134,019		8,277
Other current assets (*Note 10*)		26,105		9,005
Total current assets	$	215,890	$	81,075
Property, plant and equipment, net (*Note 8*)		369,944		263,427
Mineral properties (*Note 9*)		132,345		47,195
Investments in associates (*Notes 11*)		–		15,074
Other non-current assets (*Note 10*)		12,075		14,520
Total non-current assets	$	514,364	$	340,216
Total assets	$	730,254	$	421,291
Liabilities				
Accounts payable and accrued liabilities (*Note 12*)	$	90,682	$	16,888
Contract liabilities (*Note 5*)		3,141		–
Current debt (*Note 13a*)		302		25,530
Current debentures (*Note 13b*)		1,185		1,193
Provisions (*Note 16*)		702		542
Total current liabilities	$	96,012	$	44,153
Long-term debt (*Note 13a*)		157,930		–
Long-term debentures (*Note 13b*)		2,694		3,769
Deferred tax liabilities (*Note 15*)		8,950		–
Long-term provisions (*Note 16*)		12,756		2,952
Other long-term liabilities (*Note 14*)		8,112		8,818
Total long-term liabilities	$	190,442	$	15,539
Total liabilities	$	286,454	$	59,692
Equity				
Share capital (*Note 17*)		515,029		486,562
Contributed surplus		246,626		246,626
Cumulative translation adjustment reserve		7,871		8,455
Deficit		(334,788)		(389,106)
Equity attributable to shareholders of the parent	$	434,738	$	352,537
Non-controlling interest		9,062		9,062
Total equity	$	443,800	$	361,599
Total liabilities and equity	$	730,254	$	421,291

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

Approved by the Board

Signed "Anthony Cina"
ANTHONY CINA
Director

Signed "Brent de Jong"
BRENT DE JONG
Director

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

(unaudited in thousands of US Dollars except for per share amounts)	*For the three months ended September 30,* 2018	2017	*For the nine months ended September 30,* 2018	2017
Revenues, net (*Note 5*)	$ 76,282	$ –	$ 201,585	$ –
Cost of goods sold	71,366	–	167,993	–
	$ 4,916	$ –	$ 33,592	$ –
Expenses				
Selling, general and administrative expenses	$ 4,574	$ 4,921	$ 17,884	$ 13,091
Operating income (loss)	342	(4,921)	15,708	(13,091)
Foreign exchange gain (loss) (*Note 18*)	(748)	(392)	289	(1,286)
Other income (expense), net	(834)	(1,489)	(790)	(3,628)
Gain on fair valuation of Itafos Conda, net (*Note 4*)	–	–	51,027	–
Finance income (expense), net (*Note 19*)	(5,549)	134	(10,876)	22
Warrant expense	–	(1,400)	–	(1,400)
Gain (loss) from investment in associates (*Note 11*)	–	(322)	7,910	(1,909)
Income (loss) before income taxes	$ (6,789)	$ (8,390)	$ 63,268	$ (21,292)
Current and deferred income tax expense (*Note 15*)	2,346	573	8,950	1,183
Net Income (loss) attributable to parent	$ (9,135)	$ (8,963)	$ 54,318	$ (22,475)
Net income (loss) attributable to non-controlling interest	–	–	–	–
Net Income (loss)	$ (9,135)	$ (8,963)	$ 54,318	$ (22,475)
Basic earnings per share	$ (0.06)	$ (0.11)	$ 0.39	$ (0.30)
Fully diluted earnings per share	$ (0.06)	$ (0.11)	$ 0.39	$ (0.30)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

(unaudited in thousands of US Dollars)	*For the three months ended September 30,* 2018	2017	*For the nine months ended September 30,* 2018	2017
Net income (loss)	**$ (9,135)**	$ (8,963)	**$ 54,318**	$ (22,475)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	**1,406**	730	**(584)**	1,356
Total other comprehensive income (loss) attributable to parent	**$ (7,729)**	$ (8,233)	**$ 53,734**	$ (21,119)
Other comprehensive income (loss) attributable to non-controlling interest	**–**	–	**–**	–
Total other comprehensive income (loss)	**$ (7,729)**	$ (8,233)	**$ 53,734**	$ (21,119)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

(unaudited in thousands of US Dollars except for number of shares)	Number of shares	Amount	Contributed surplus	Cumulative translation adjustment reserve	Deficit	Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
Balance as at January 1, 2018	**128,018,569**	**$ 486,562**	**$ 246,626**	**$ 8,455**	**$ (389,106)**	**$ 352,537**	**$ 9,062**	**$ 361,599**
Net Income (loss)	–	–	–	–	54,318	54,318	–	54,318
Accumulated other comprehensive income (loss)								
Cumulative translation adjustment	–	–	–	(584)	–	(584)	–	(584)
February 2018, Issuance of shares as part of the GBL Arrangement (*Note 4*)	11,301,732	23,335	–	–	–	23,335	–	23,335
June 2018, Issuance of shares in connection with the Facility (*Note 13*)	2,750,000	5,132	–	–	–	5,132	–	5,132
Balance as at September 30, 2018	**142,070,301**	**$ 515,029**	**$ 246,626**	**$ 7,871**	**$ (334,788)**	**$ 434,738**	**$ 9,062**	**$ 443,800**
Balance as at January 1, 2017	**57,528,838**	**$ 374,508**	**$ 246,626**	**$ 7,171**	**$ (358,695)**	**$ 269,610**	**$ –**	**$ 269,610**
Net income (loss)	–	–	–	–	(22,475)	(22,475)	–	(22,475)
Accumulated other comprehensive income (loss)								
Cumulative translation adjustment	–	–	–	1,356	–	1,356	–	1,356
March 2017, Issuance of shares from private placement (*Note 17*)	19,883,128	29,840	–	–	–	29,840	–	29,840
March 2017, Issuance of shares from debt conversion (*Note 17*)	1,906,541	3,000	–	–	–	3,000	–	3,000
July 2017, Issuance of shares as part of the STG Arrangement (*Note 17*)	2,985,777	4,327	–	–	–	4,327	–	4,327
Balance as at September 30, 2017	**82,304,284**	**$ 411,675**	**$ 246,626**	**$ 8,527**	**$ (381,170)**	**$ 285,658**	**$ –**	**$ 285,658**

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

(unaudited in thousands of US Dollars)		September 30, 2018		September 30, 2017
Operating activities				
Net income (loss)	$	54,318	$	(22,475)
Adjustments for the following items:				
Depreciation and depletion		10,834		163
Cash settlement of share-based payments		(140)		–
Share-based payment (recovery) expense		308		516
Current and deferred income tax expense		8,950		1,183
Gain on fair valuation of Itafos Conda, net (*Note 4*)		(51,027)		–
(Gain) loss from investment in associates (*Note 11*)		(7,910)		1,909
Unrealized foreign exchange (gain) loss		(804)		1,286
Finance (income) expense (*Note 19*)		10,876		(22)
Net change in non-cash working capital (*Note 22*)		(42,694)		(2,036)
Cash flows from operating activities	$	(17,289)	$	(19,476)
Investing activities				
Addition of property, plant and equipment and mineral properties	$	(43,445)	$	(26,918)
Acquisition of Itafos Conda (*Note 4*)		(66,500)		–
Cash received from Itafos Conda at acquisition		725		–
Acquisition of GBL (*Note 4*)		(25,539)		–
Issuance of note to GBL (*Note 10*)		(4,500)		(2,500)
Cash received from GBL at acquisition		2,898		–
Investment in associates (*Note 11*)		–		(725)
Short-term investments (*Note 6*)		(2,091)		–
Cash received from STG at acquisition (*Note 4*)		–		194
Cash flows from investing activities	$	(138,452)	$	(29,949)
Financing activities				
Proceeds from debt financing (*Note 13a*)	$	132,671	$	14,500
Proceeds from debt financing subsequently settled with issuance of shares (*Note 13a*)		–		3,000
Repayment of debt financing (*Note 13a*)		(4,969)		–
Payment of interest expense		(6,240)		–
Payment of financing related costs (*Note 13a*)		(2,079)		–
Net proceeds from issuance of shares (*Note 17*)		–		29,840
Cash flows from financing activities	$	119,383	$	47,340
Effect of foreign exchange of non-US Dollar denominated cash	$	(72)	$	105
Increase (decrease) in cash		(36,430)		(1,980)
Cash, beginning of period		63,677		2,875
Cash, end of period	$	27,247	$	895

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

(with comparatives as at December 31, 2017 and for the three and nine months ended September 30, 2017)
(unaudited amounts in thousands of US Dollars)

1. GENERAL COMPANY INFORMATION

Itafos (TSXV: IFOS) (the "Company") is a vertically integrated phosphate based fertilizers and specialty products company with a portfolio of long-term strategic businesses and projects located in key fertilizer markets worldwide.

The Company owns, operates and is developing the following businesses and projects:

- Itafos Conda – a vertically integrated phosphate fertilizer business that produces and sells monoammonium phosphate ("MAP"), superphosphoric acid ("SPA"), merchant grade phosphoric acid ("MGA") and specialty products including ammonium polyphosphate ("APP") located in Idaho, US;
- Itafos Arraias – a vertically integrated phosphate fertilizer business that produces and sells single superphosphate ("SSP") located in Tocantins, Brazil;
- Itafos Paris Hills – a phosphate mine project located in Idaho, US;
- Itafos Farim – a phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Santana – a vertically integrated phosphate fertilizer project located in Pará, Brazil;
- Itafos Araxá – a phosphate and rare earth oxide mine project located in Minas Gerais, Brazil; and
- Itafos Mantaro – a phosphate mine project located in Junin, Peru.

The Company's principal shareholder is CL Fertilizers Holding LLC ("CLF"), formerly known as Zaff LLC. CLF is an affiliate of Castlelake L.P., a global private investment firm (see Note 23).

The Company's shares trade on the TSX Venture Exchange ("TSXV") under the trading symbol "IFOS". The Company's registered office is at Ugland House, Grand Cayman, Cayman Islands KY1-1104.

2. BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the Internal Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended December 31, 2017, which includes information necessary or useful to understand the Company's business and financial statement presentation.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on November 14, 2018.

Basis of Preparation and Presentation

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

As at September 30, 2018, the Company has reclassified certain items to conform with current period presentation as follows:

- For the nine months ended September 30, 2018, the Company included $475 and $1,904 of finance expense in the development and exploration and Itafos Arraias segments, respectively that have been reclassified to the corporate segment (see Note 21);
- As at December 31, 2017, the Company included $49 and $184 of current debentures in accounts payable and accrued liabilities and other current liabilities, respectively that have been reclassified to current debentures (see Note 13);
- As at December 31, 2017, the Company included $85 and $1,529 of warrants and long-term debentures, respectively in other liabilities that have been reclassified to other long-term liabilities and long-term debentures, respectively (see Notes 13 and 14); and
- For the three and nine months ended September 30, 2017, the Company included $183 and $2,933, respectively, of foreign exchange gains in the development and exploration segment that have been reclassified to the Itafos Arraias segment (see Note 21).

Currencies

The Company's presentation currency is US Dollars ("$") and its functional currency is US Dollars except for its subsidiary GB Minerals Ltd. ("GBL"), whose functional currency is Canadian Dollars ("C$") and Itafos Farim, Sarl (formerly known as GB Minerais Sarl), a wholly-owned subsidiary of GBL, whose functional currency is Central African Francs. The Company will reassess the functional currencies of GBL and its subsidiaries upon changes to underlying transactions, events and conditions, such as the development of Itafos Farim. During Q1 2017, the Company changed the functional currency of its Brazilian subsidiaries from Brazilian Reals ("R$") to US Dollars.

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

As at September 30, 2018 and December 31, 2017, the Company has subsidiaries located in Barbados, Brazil, the British Virgin Islands, Canada, the Cayman Islands, Guinea-Bissau, the Netherlands, Peru, Portugal, Switzerland and the US. During Q1 2018, GBL became a wholly-owned subsidiary when the Company acquired all of the issued and outstanding common shares of GBL not previously owned, directly or indirectly, by the Company (see Note 4). As at December 31, 2017, the Company accounted for GBL by the equity method as the Company had significant influence over GBL but did not control it. During Q1 2018, Brazilian warrants held by third parties were converted into shares, resulting in a non-controlling interest ("NCI") in Itafos Arraias and Itafos Santana.

As at September 30, 2018 and December 31, 2017, the Company had NCI as follows:

	Company interest	NCI
Itafos Arraias Mineracao e Fertilizantes S.A.	96.8%	3.2%
Itafos Santana Mineracao e Fertilizantes S.A.	99.4%	0.6%

Principal Shareholder

The Company's principal shareholder is CLF, a Delaware limited liability company with offices in Minnesota, US. As at December 31, 2017, CLF beneficially owned and controlled 81,452,992 shares of the Company, representing approximately 63.6% of the issued and outstanding shares on an undiluted basis. As at September 30, 2018, CLF beneficially owned and controlled 81,980,064 shares of the Company representing approximately 57.7% of the issued and outstanding shares on an undiluted basis. CLF is also a related party (see Note 23).

Critical Accounting Estimates and Judgments

Except as noted below, the critical accounting estimates and judgments included in the Company's audited consolidated financial statements for the year ended December 31, 2017 remain applicable for these condensed consolidated interim financial statements.

Commencement of Commercial Production

Judgment is required in determining the date that property, plant and equipment is available for use. An asset is available for use when it is in the location and condition necessary to operate in the manner intended by management. At that time, the Company commences depreciation of the asset and ceases capitalization of borrowing costs. The Company considers several factors in making the determination of when an asset is available for use including, but not limited to, design capacity of the asset, production levels achieved and commissioning status. The Company defines the achievement of commercial production as the date that an asset has achieved a consistent level of production, evidenced by 30 consecutive days of sustainable production at 75% capacity utilization. In July 2017, the Company completed the recommissioning of Itafos Arraias. On July 3, 2018, Itafos Arraias achieved commercial production by meeting the capacity utilization metric.

Estimate of Fair Value of Business Combination

The Company accounted for the acquisition of Itafos Conda as a business combination. The Company is currently in the process of fair valuing its acquisition of Itafos Conda. The Company will finalize the fair values of the net assets acquired on or before December 31, 2018 (see Note 4).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, the accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2017, where applicable.

Plant Turnaround Costs

Planned inspections, replacements and overhauls of plant machinery and equipment requiring a full plant shutdown are designated as a plant turnaround. The Company accounts for plant turnarounds under the deferral method, as opposed to the direct expense method. Under the deferral method, costs related to plant turnarounds are capitalized in property, plant and equipment as incurred and amortized to production costs over the period benefited, which corresponds with the next scheduled plant turnaround cycle.

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") effective January 1, 2018 on a full retrospective basis in accordance with the transitional provisions of IFRS 15. The Company did not own any projects that were in commercial production prior to adoption of this standard. As such, no adjustment has been recorded to the comparative figures. On July 3, 2018, Itafos Arraias declared commercial production. During Q3 2018, the Company began recognizing revenue earned through sales at Itafos Arraias. Prior to Q3 2018, as Itafos Arraias had not yet achieved commercial production, revenue earned through sales at Itafos Arraias were capitalized into property, plant and equipment.

Revenues from Sale of Goods

The Company's revenues consist of Itafos Conda sales of MAP, SPA, MGA and APP to its customers in the North American market and Itafos Arraias sales of SSP and excess sulfuric acid in the Brazilian market. The Company recognizes revenue from these sales when control of the product has transferred to the customer as specified by the contract delivery terms agreed with the customer (e.g., Free on Board, Freight Paid Allowance, Delivery Prepaid). The control of the product has transferred to the customer when the customer has legal title to and the risk and rewards of ownership of the product and the customer is able to direct the use of and obtain substantially all of the remaining benefits from the product. Revenue is measured at the transaction price agreed under the contract. With the exception of Itafos Conda's MAP offtake agreement (see Note 4), the Company's customer contract terms do not typically extend beyond 12 months from commencement. Accordingly, transaction price to unfulfilled performance obligations and financing components of customer contracts do not have a significant impact on the presentation and disclosure of financial statements. Individual customer orders are placed in accordance with underlying contract terms. Customer orders are typically fulfilled within 30 days or less from receipt of the order. Payment of the transaction price is due based on the terms stated in the contract. Typically, payments are received 30-60 days from the invoice date.

Variable Consideration

The Company's revenues are subject to variable consideration such as rebates and credits. These rebates are normally outlined in the contracts and are subject to customers meeting certain volume thresholds. The Company estimates the variable consideration to be at the most likely amount to which it is entitled. The Company includes the likely amount in the transaction price to the extent that it is probable that a significant reversal of revenue will not occur when the uncertainty will be resolved. Estimates of variable consideration and its inclusion in the transaction price are based on management's assessment of anticipated performance and information reasonably available to the Company. A rebate liability (included in accounts payable and accrued liabilities) is recognized for the expected rebates and credits payable to customers in relation to sales made until the end of the reporting period.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 Financial Instruments ("IFRS 9") effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Under the IFRS 9 model, the Company has classified and measured its financial assets and financial liabilities as follows:

Financial assets/liabilities	Original classification and measurement (IAS 39)	New classification and measurement (IFRS 9)
Cash and cash equivalents	Loans and receivables at amortized cost	Amortized cost
Accounts receivables	Loans and receivables at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities at amortized cost	Amortized cost
Debt and promissory notes	Other liabilities at amortized cost	Amortized cost

IFRS 9 includes clarification on the accounting for modifications of financial liabilities. The Company has accounted for modifications in accordance with the clarifications when IAS 39 was applied in the prior periods, to calculate effective interest rate on financial liabilities using the original effective interest rate and recognize any gain or loss through profit and loss.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's condensed consolidated interim financial statements and did not result in a transitional adjustment.

The Company has no hedges on its condensed consolidated interim financial statements for the reporting period. Except as noted above, the adoption of IFRS 9 did not result in a change in the carrying values of any of the Company's financial instruments on the transition date.

IFRS 16 Leases (Effective January 1, 2019)

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), which eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered to be right of use assets and will be recorded on the balance sheet with corresponding lease obligation liabilities. Exempt from IFRS 16 will be leases to explore for, or use minerals, oil, natural gas and similar non-regenerative resources, as well as leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase lease assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for lease assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (i) information about lease assets and expenses and cash flows related to leases, (ii) a maturity analysis of lease liabilities and (iii) any additional company-specific information that is relevant to satisfying the disclosure objective. IFRS 16 is effective from January 1, 2019. The Company is currently assessing and quantifying the effect of this standard on its condensed consolidated interim financial statements. On the transition date of January 1, 2019, the Company expects to recognize additional leases on its consolidated balance sheet, which will increase its short and long term debt and property, plant and equipment balances. As a result of recognizing the lease assets, the Company also expects an increase in cost of goods sold, selling, general and administrative expenses and finance expenses due to the related depreciation and interest expense.

4. ACQUISITIONS

Itafos Conda

On January 12, 2018, the Company completed the acquisition of Itafos Conda from Agrium, Inc. ("Agrium"), a wholly-owned subsidiary of Nutrien Ltd. The transaction included a MAP offtake agreement whereby Agrium purchases 100% of MAP produced by Itafos Conda through 2023 and an ammonia supply agreement whereby Agrium supplies 100% of ammonia required by Itafos Conda through 2023.

The consideration for the acquisition included a base purchase price of $66,500 plus a working capital adjustment based on the value of inventories and other assets as of the closing. The Company preliminarily recorded the consideration for the acquisition as $115,140 considering an estimated $108,640 of inventories and other assets as of the closing and $6,500 of property plant and equipment. At closing, the Company paid $66,500 in cash and preliminarily recorded a working capital adjustment of $48,640 to be settled against 25% of all receivables from the MAP offtake agreement from the closing until the liability is satisfied. Post closing, the Company and Agrium agreed that the value of the inventories and other assets as of the closing was $102,356. The working capital adjustment reduced the preliminary consideration for the acquisition and resulted in a receivable due from Agrium, which was paid in September 2018.

The Company accounted for the acquisition of Itafos Conda as a business combination. The Company is in process of fair valuing its acquisition of Itafos Conda. The consideration for the acquisition was primarily based on the Company's view of the future cash flows expected to be generated by Itafos Conda and future cash requirements for Itafos Conda to continue to operate and fulfill its environmental and asset retirement obligations. When determining the consideration for the acquisition, the Company primarily considered the discounted cash flow valuation methodology taking into account a range of scenarios and sensitivities. As a part of the Company's process of fair valuing the net assets acquired, the Company engaged a third party to conduct an independent appraisal. The third party's independent appraisal process considers various valuation methodologies in addition to the discounted cash flow methodology for the net assets acquired. In this regard, the independent appraisal determined the preliminary value of $6,500 allocated by the Company to property, plant and equipment to be below fair value.

As a result, the preliminary values of property, plant and equipment recorded by the Company have been revised upward to reflect a fair value of $57,678. The Company further revised the value of inventories and other assets to reflect the agreed working capital adjustment and to include an estimated $11,000 of spare parts. The revised fair values of these assets resulted in an excess book basis compared to the tax basis. Accordingly, the Company has recognized deferred tax liabilities of $11,151 calculated considering the excess book basis and a statutory tax rate of 26.8%. The revised assessment of the fair values of the net assets acquired results in a net gain on fair valuation of Itafos Conda of $51,027.

The Company will finalize the fair values of the net assets acquired on or before December 31, 2018.

Details of the preliminary and revised purchase price allocation of the net assets acquired on the transaction are as follows:

(unaudited in thousands of US Dollars)		*Revised* January 12, 2018		*Preliminary* January 12, 2018
Base purchase price	$	66,500	$	66,500
Working capital adjustment		42,356		48,640
Total consideration for net assets	**$**	**108,856**	**$**	**115,140**
Fair value of assets acquired and liabilities assumed:				
Property, plant and equipment		57,678		6,500
Inventories and other assets		113,356		108,640
Deferred tax liabilities		(11,151)		–
Net assets acquired	**$**	**159,883**	**$**	**115,140**
Gain on fair valuation of Itafos Conda, net	**$**	**51,027**	**$**	**–**

Itafos Conda contributed net revenues of $183,630 and net income of $82,132 to the Company from January 12, 2018 through September 30, 2018. If the acquisition had occurred on January 1, 2018, net revenue and net income for the nine months ended September 30, 2018 would have been $191,071 and $84,073, respectively.

In connection with the Itafos Conda acquisition, certain other agreements were entered into by Itafos Conda and a subsidiary of Agrium related to mining activities and services. Among those other agreements, Itafos Conda and a subsidiary of Agrium entered into a phosphate ore supply agreement whereby Itafos Conda purchases phosphate ore from a subsidiary of Agrium. Itafos Conda and a subsidiary of Agrium also entered into a mining services agreement whereby Itafos Conda agreed to engage and cause its mining contractor to provide certain mining services for the benefit of a subsidiary of Agrium (see Note 10).

Also in connection with the Itafos Conda acquisition, Agrium agreed to assume full liability for all environmental and asset retirement obligations relating to the pre-acquisition operations of Itafos Conda. As current owner and operator of Itafos Conda, the Company may be held liable for certain environmental and asset retirement obligations. Because Agrium agreed to assume full liability for all environmental and asset retirement obligations relating to the pre-acquisition operations of Itafos Conda and given management's view that the likelihood of Agrium failing to perform on its obligations is remote, the Company has not recorded any contingencies for pre-acquisition environmental and asset retirement obligations.

GBL

On February 27, 2018, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of GBL, the owner of Itafos Farim.

The purchase price for the acquisition, executed through a plan of arrangement (the GBL Arrangement") under the Business Corporations Act (British Columbia) was $48,874. $25,539 of the purchase price was paid in cash at closing and $23,335 of the purchase price was paid with an issuance of 11,301,732 shares of the Company. The Company accounted for the acquisition of GBL as an asset acquisition.

Details of the purchase consideration and net assets acquired on the transaction are as follows:

(unaudited in thousands of US Dollars)		February 27, 2018
Cash	$	25,539
Shares		23,335
747,948,785 common shares of GBL (68.7% interest)	$	48,874
Total consideration for net assets (100%)	**$**	**71,185**
Fair value of assets acquired and liabilities assumed:		
Mineral properties	$	81,224
Cash and cash equivalents		2,898
Other current assets		488
Property, plant and equipment		206
Notes payable		(11,976)
Accounts payable and accrued liabilities		(1,547)
Other long-term liabilities		(108)
Net assets acquired	**$**	**71,185**

Of the notes payable, $9,816 were notes payable by GBL to the Company, which were eliminated upon consolidation.

STG

On July 18, 2017, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of Stonegate Agricom Ltd. ("STG"), the owner of Itafos Paris Hills and Itafos Mantaro.

The purchase price for the acquisition, executed through a plan of arrangement (the "STG Arrangement") under the Business Corporations Act (Ontario) was $4,605, including warrants and transaction costs. The purchase price was paid with an issuance of 2,985,777 shares of the Company. As a result of the acquisition, all outstanding options of STG were cancelled. Additionally, 100,000,000 outstanding purchase warrants of STG common shares were exchanged for 800,000 share purchase warrants of the Company. The Company accounted for the acquisition of STG as an asset acquisition.

Details of the purchase consideration and net assets acquired on the transaction are as follows:

(unaudited in thousands of US Dollars)		July 18, 2017
Shares	$	4,327
373,222,242 common shares of STG (64.8% interest)	$	4,327
Consideration for net assets (100%)		6,677
Warrants		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
Accounts receivable		2
Other current assets		41
Accounts payable and accrued liabilities		(32)
Net assets acquired	**$**	**6,955**

5. REVENUES

Certain of the Company's customer contracts contain rebate provisions. Revenues are presented net of estimated rebates.

For the three and nine months ended September 30, 2018 and September 30, 2017, Itafos Conda had revenues as follows:

	For the three months ended September 30,				*For the nine months ended September 30,*			
(unaudited in thousands of US Dollars)		**2018**		2017		**2018**		2017
MAP	**$**	**28,809**	$	–	**$**	**96,051**	$	–
MGA, net		**263**		–		**263**		–
SPA, net		**26,686**		–		**79,588**		–
APP, net		**2,569**		–		**7,728**		–
Revenues, net	**$**	**58,327**	**$**	**–**	**$**	**183,630**	**$**	**–**

Of the revenues recorded from Itafos Conda for the three months ended September 30, 2018, 100% of MAP revenues were generated from Agrium, approximately 37% of SPA revenues were generated from two key customers, 100% of MGA sales were generated from one key customer and approximately 46% of APP revenues were generated from two key customers. Of the revenues recorded from Itafos Conda for the nine months ended September 30, 2018, 100% of MAP revenues were generated from Agrium, approximately 38% of SPA revenues were generated from two key customers, 100% of MGA sales were generated from one key customer and approximately 15% of APP revenues were generated from one key customer.

On January 12, 2018, the Company completed the acquisition of Itafos Conda (see Note 4). As such, for the three and nine months ended September 30, 2017, the Company recorded no revenues from Itafos Conda.

For the three and nine months ended September 30, 2018 and September 30, 2017, Itafos Arraias had revenues as follows:

	For the three months ended September 30,				*For the nine months ended September 30,*			
(unaudited in thousands of US Dollars)		**2018**		2017		**2018**		2017
SSP, net	**$**	**14,484**	$	–	**$**	**14,484**	$	–
Sulfuric Acid, net		**3,471**		–		**3,471**		–
Revenues, net	**$**	**17,955**	**$**	**–**	**$**	**17,955**	**$**	**–**

Of the revenues recorded from Itafos Arraias for the three months and nine months ended September 30, 2018, approximately 25% of SSP revenues were generated by one key customer.

On July 3, 2018, Itafos Arraias declared commercial production. During Q3 2018, the Company began recognizing revenue earned through sales at Itafos Arraias. Prior to Q3 2018, as Itafos Arraias had not yet achieved commercial production, revenue earned through sales at Itafos Arraias were capitalized into property, plant and equipment.

As at September 30, 2018 and December 31, 2017, the Company had contract liabilities of $3,141 and $0, respectively. Contract liabilities are payments received in advance by the Company from customers relating to performance obligations that are not yet complete, as the product has not yet been delivered. During the three and nine months ended September 30, 2018, the Company has recognized revenue that was previously reported as contract liabilities in the amounts of $53 and $405, respectively, as the related performance obligations have been completed. During the three and nine months ended September 30, 2017, the Company did not recognize any revenue that was previously reported as contract liabilities.

As at September 30, 2018 and December 31, 2017, the Company had unbilled receivables included in accounts receivable of $3,272 and $0, respectively. Unbilled receivables are for performance obligations that have been completed for customers of Itafos Conda which have not yet been invoiced. As at September 30, 2018, the Company has assessed and determined that there is no impairment of these unbilled receivables. During the three and nine months ended September 30, 2018, the Company did not recognize any revenue that was previously reported as unbilled receivables. During the three and nine months ended September 30, 2017, the Company did not recognize any revenue that was previously reported as unbilled receivables.

6. SHORT-TERM INVESTMENTS

As at September 30, 2018 and December 31, 2017, the Company had short-term investments of $2,091 and $0, respectively. Short-term investments consist of certificates of deposits with original maturities in excess of 90 days, which are expected to mature within 12 months of the balance sheet date.

7. INVENTORIES

As at September 30, 2018 and December 31, 2017, the Company had inventories as follows:

(unaudited in thousands of US Dollars)		**September 30, 2018**		December 31, 2017
Finished goods	**$**	**31,843**	$	567
Work in process		**3,377**		7,813
Raw materials		**86,231**		2,790
Spare parts		**16,681**		1,220
Net realizable value adjustments		**(4,113)**		(4,113)
Inventories, net	**$**	**134,019**	**$**	**8,277**

As at September 30, 2018 and December 31, 2017, net realizable value adjustments of $4,113 and $4,113, respectively were related to finished goods at Itafos Arraias.

8. PROPERTY, PLANT AND EQUIPMENT

As at September 30, 2018 and December 31, 2017, the Company had property, plant and equipment as follows:

(unaudited in thousands of US Dollars)	Land	Buildings and plant	Machinery, equipment and other	Asset under construction	Total property, plant and equipment
Cost					
Balance as at December 31, 2017	**$ 3,273**	**$ 128,078**	**$ 156,918**	**$ 36,351**	**$ 324,620**
Acquisitions (*Note 4*)	20,640	–	34,343	2,695	57,678
Additions	947	23,748	1,718	34,270	60,683
Disposals	–	48,055	–	(48,055)	–
Balance as at June 30, 2018	**$ 24,860**	**$ 199,881**	**$ 192,979**	**$ 25,261**	**$ 442,981**
Accumulated depreciation					
Balance as at December 31, 2017	**$ –**	**$ 24,725**	**$ 36,468**	**$ –**	**$ 61,193**
Additions	–	–	12,323	–	12,323
Disposals	–	(479)	–	–	(479)
Balance as at June 30, 2018	**$ –**	**$ 24,246**	**$ 48,791**	**$ –**	**$ 73,037**
Property, plant and equipment, net					
As at December 31, 2017	**$ 3,273**	**$ 103,353**	**$ 120,450**	**$ 36,351**	**$ 263,427**
As at June 30, 2018	**$ 24,860**	**$ 175,635**	**$ 144,188**	**$ 25,261**	**$ 369,944**

As at September 30, 2018 and December 31, 2017, the balances of property, plant and equipment include capitalized interest of $4,690 and $1,605, respectively. For the nine months ended September 30, 2018, the property, plant, and equipment additions included $10,586 of Itafos Conda plant turnaround costs on a two year cycle. Itafos Conda's plant turnaround was completed in June 2018 and depreciation of these costs commenced during Q3 2018.

9. MINERAL PROPERTIES

As at September 30, 2018 and December 31, 2017, the Company had mineral properties as follows:

(unaudited in thousands of US Dollars)	Development costs	Exploration and evaluation costs	Accumulated depletion	Net book value
Balance as at December 31, 2017	**$ 30,178**	**$ 18,755**	**$ (1,738)**	**$ 47,195**
Acquisitions (*Note 4*)	–	81,224	–	81,224
Additions	1,078	2,940	(43)	3,975
Foreign currency translation adjustments	–	(49)	–	(49)
Balance as at September 30, 2018	**$ 31,256**	**$ 102,870**	**$ (1,781)**	**$ 132,345**

Additions to exploration and evaluation costs are related to activities of GBL. Foreign currency translation adjustments of $(49) are a result of exchange rate changes of the US Dollar (reporting currency) versus the Canadian Dollar and the Central African Franc (functional currencies of the entities holding the mineral rights).

10. OTHER ASSETS

As at September 30, 2018 and December 31, 2017, the Company had other assets as follows:

(unaudited in thousands of US Dollars)		September 30, 2018		December 31, 2017
Tax credits	$	13,309	$	14,478
Promissory note receivable from GBL (balance includes interest accrual)		–		5,145
Advances to suppliers		3,011		1,690
Mining prepaid expenses		11,396		–
Other receivables		5,173		–
Deposits		1,500		–
Other		3,791		2,212
Other assets	$	38,180	$	23,525
Less: current portion		(26,105)		(9,005)
Other non-current assets	$	12,075	**$**	**14,520**

As at September 30, 2018 and December 31, 2017, the Company had other current assets as follows:

(unaudited in thousands of US Dollars)		September 30, 2018		December 31, 2017
Tax credits	$	2,169	$	483
Promissory note receivable from GBL (balance includes interest accrual)		–		5,145
Advances to suppliers		3,011		1,690
Mining prepaid expenses		11,396		–
Other receivables		5,173		–
Deposits		1,500		–
Other		2,856		1,687
Other current assets	$	26,105	**$**	**9,005**

Tax credits consist of Brazilian state and federal 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 at September 30, 2018, and December 31, 2017, the Company had tax credits of $13,309 and $14,478, respectively (net of 20% tax credit allowance determined by the Brazilian tax authorities based on average credits accepted for the years 2012, 2013 and Q1 2014).

During 2017, the Company provided promissory notes to GBL in the aggregate amount of $5,000. On February 1, 2018, the Company provided an additional promissory note to GBL in the amount of $4,500. Following the completion of the GBL Arrangement on February 27, 2018, these notes including accrued interest were treated as an intercompany balance and eliminated on consolidation (see Note 4).

Mining prepaid expenses are expenses paid in advance by Itafos Conda.

Other receivables are related to the mining services agreement between Itafos Conda and a subsidiary of Agrium (see Note 4). The Company has a corresponding payable in its other payables and accrued liabilities section (see Note 12).

Deposits represent cash collateral posted to a key Itafos Conda service provider.

11. INVESTMENTS IN ASSOCIATES

For the period December 31, 2017 through September 30, 2018, the Company had changes in investments in associates as follows:

(unaudited in thousands of US Dollars)		Investments in associates
Balance as at December 31, 2017	**$**	**15,074**
Proportionate share of net income (loss)		7,910
Proportionate share of other comprehensive income (loss)		(671)
Transfer to mineral properties		(22,313)
Balance as at September 30, 2018	**$**	**–**

As at December 31, 2017, the Company accounted for its investment in GBL using the equity method. On February 27, 2018, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of GBL, the owner of Itafos Farim (see Note 4). As a result of the acquisition, as at September 30, 2018, the Company consolidated GBL into its condensed consolidated interim financial statements.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at September 30, 2018 and December 31, 2017, the Company had accounts payable and accrued liabilities as follows:

(unaudited in thousands of US Dollars)		September 30, 2018		December 31, 2017
Payroll and related taxes payable	$	**4,176**	$	2,266
Taxes payable		**15,474**		5,450
Trade payables		**23,422**		3,745
Accrued liabilities and other		**19,326**		1,298
Rebates		**1,029**		–
Other payables		**2,459**		4,129
Accrued liabilities payable through MAP offtake agreement		**24,796**		–
Accounts payable and accrued liabilities	**$**	**90,682**	**$**	**16,888**

Taxes payable as at September 30, 2018 includes $10,266 of tax provision relating to Itafos Conda. The residual amount is primarily attributable to the Brazilian taxes.

Trade payables are predominantly due to the normal operations of Itafos Conda and Itafos Arraias.

Accrued liabilities and other includes $5,131 of Itafos Conda mining costs and $5,129 of liabilities related to the mining services agreement between Itafos Conda and a subsidiary of Agrium (see Note 4). The Company has a corresponding receivable in its other receivables (see Note 10).

Rebates are payables accrued by Itafos Conda in anticipation of customers meeting volume offtake thresholds.

Accrued liabilities payable through MAP offtake agreement represents the balance of the Itafos Conda purchase price payable to Agrium (see Note 4).

13. DEBT AND DEBENTURES

a) Debt

On June 6, 2018, the Company closed a $165,000 secured term credit facility (the "Facility") with a syndicate of lenders (including CLF). The Facility is guaranteed by certain of the Company's subsidiaries. The Facility is further secured by certain of the Company's direct and indirect interests in certain of the Company's subsidiaries and certain of the other assets of the Company and its subsidiaries. The Facility accrues interest at a per annum rate of 10% commencing on June 6, 2018 until December 6, 2019, with 50% payable in cash and 50% payable in-kind, and 12% thereafter with 75% payable in cash and 25% payable in-kind. Cash interest is payable on the 15th day of each March, June, September, and December until the Facility matures on June 6, 2022. In-kind interest is capitalized into the principal on the 15th day of each March, June, September, and December until maturity, if not paid in cash, at the Company's discretion. The Company also has the ability to pay in-kind interest at any time prior to maturity. As at September 30, 2018, $2,363 of in-kind interest was capitalized into principal of the Facility. As at September 30, 2018, the Company accrued cash and in-kind interest related to the Facility in the amounts of $302 and $302, respectively. There are no required principal payments until the scheduled maturity. The Company may make principal payments prior to the maturity date; however, the Company would incur prepayment penalties if principal payments are made prior to June 6, 2021.

The Company incurred financing costs of $5,829 related to the Facility. The Company also issued 2,750,000 shares to the syndicate of lenders of the Facility, which had a fair value of $5,132 as determined by the market price of C$2.41 per share as of the date of issuance of the shares. Both the financing costs and the fair value of the shares issued in connection with the Facility were capitalized and presented as a reduction of the carrying value of the Facility, which is amortized using the effective interest rate method. For the three and nine months ended September 30, 2018, the Company amortized $977 and $1,226, respectively of the capitalized financing costs.

The Facility includes restrictive financial covenants that require the Company not to exceed certain ratios as at the end of each fiscal quarter as follows:

Financial covenant	Ratios	Commencing
Consolidated Debt to Capital	0.70:1.00	June 30, 2019
Consolidated Leverage	4.50:1.00	June 30, 2019
Consolidated Leverage	4.25:1.00	March 31, 2020
Consolidated Leverage	4.00:1.00	June 30, 2020

In addition to the restrictive financial covenants, the Facility considers other compliance requirements including, but not limited to, a requirement to maintain minimum cash of $5,000 throughout the term of the Facility.

During 2017, the Company raised funds through issuances of debt in the form of unsecured promissory notes with various lenders (including CLF). Some of these promissory notes were either assigned or converted to equity during 2017. For promissory notes converted to equity, related accrued interest was capitalized and converted to equity, while the outstanding promissory notes continued to accrue interest at the rate of 15%. As at December 31, 2017, the promissory notes balance including accrued interest was $25,530. During 2Q 2018, $7,952 of the promissory notes and related accrued interest was repaid. The remaining balance of the promissory notes and related accrued interest was exchanged and included in the Facility. The Company performed a qualitative and quantitative analysis and determined that the exchange of the promissory notes for the Facility was an extinguishment of the promissory notes.

For the period December 31, 2017 through September 30, 2018, the Company had changes in debt as follows:

(unaudited in thousands of US Dollars)		Current debt		Long-term debt
Balance as at December 31, 2017	**$**	**25,530**	**$**	**–**
Issuance of promissory notes		61,421		–
Interest accruals of promissory notes		8,293		–
Acquisition of promissory notes from GBL Arrangement		2,708		–
Closing of the Facility		–		165,000
Deferred financing costs		–		(10,961)
Repayment of promissory notes and related accrued interest		(7,952)		–
Exchange of promissory notes and related accrued interest		(90,000)		–
Capitalization of in-kind interest		–		2,363
Payment of interest		(2,363)		–
Interest accrual of the Facility		2,665		–
Accrued in-kind interest of the Facility		–		302
Amortization of financing costs		–		1,226
Balance as at September 30, 2018	**$**	**302**	**$**	**157,930**

b) Debentures

As at September 30, 2018 and December 31, 2017, the Company had debentures as follows:

(unaudited in thousands of US Dollars)		September 30, 2018		December 31, 2017
Brazilian debentures	$	1,333	$	1,762
Canadian debentures		2,546		3,200
Less: current portion		(1,185)		(1,193)
Long-term portion of debentures	**$**	**2,694**	$	**3,769**

Brazilian debentures of $1,333 and $1,762 (including accrued interest) as at September 30, 2018 and December 31, 2017, respectively, mature in 10 years on August 29, 2026. The debentures have a 10% interest rate with interest and principal paid in equal annual installments.

Canadian debentures of $2,546 and $3,200 (including accrued interest) as at September 30, 2018 and December 31, 2017, respectively, were issued to CLF and to Banco Modal S.A. ("Modal") and originally matured in 10 years on October 27, 2026. The debentures originally had a 10% interest rate with interest and principal payable in equal annual installments. 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 the CLF Debenture into two separate instruments 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 Modal's convertible debentures of C$1,107 and C$1,753 to reduce the term from 10 years to four years and 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 effective interest rate on the convertible debentures held by Modal was recalculated at the amendment date based on the carrying value of the debt and the expected future payment terms and a loss was recognized as borrowing cost.

14. OTHER LONG-TERM LIABILITIES

Other Long-Term Liabilities

As at September 30, 2018 and December 31, 2017, the Company had other long-term liabilities as follows:

(unaudited in thousands of US Dollars)		September 30, 2018		December 31, 2017
Withholding taxes payable	$	6,844	$	7,488
Long-term taxes payable		2		251
Other equity warrants		85		85
Share-based payments		1,163		994
Other liabilities		18		–
Other long-term liabilities	**$**	**8,112**	**$**	**8,818**

Withholding taxes payable of $6,844 and $7,488 as at September 30, 2018 and December 31, 2017, respectively, are mainly related to the taxes payable to the Brazilian tax authorities resulting from intercompany loans between the Company's subsidiaries. These taxes would be due after 2020 upon maturity of the intercompany loans.

Other equity warrants of $85 and $85 as at September 30, 2018 and December 31, 2017, respectively, are related to the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company 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.

Share-based payments of $1,163 and $994 as at September 30, 2018 and December 31, 2017, respectively, are related to the restricted share units ("RSUs") granted by the Company under the Company's restricted share unit plan (the "RSU Plan"). The maximum number of shares which may be reserved for issuance under the RSU Plan at any time is 14,207,030 shares. In accordance with the RSU Plan, the RSUs vest 25% on the second anniversary of the date of grant and 75% 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. During the three and nine months ended September 30, 2018 the Company granted 0 and 1,299,521 RSUs (net of forfeitures), respectively, under the Company's RSU Plan. During the three and nine months ended September 30, 2017 the Company granted 0 and 16,200 RSUs (net of forfeitures), respectively, under the Company's RSU Plan. During the three and nine months ended September 30, 2018, the Company settled 0 and 75,017 RSUs, respectively. The 75,017 RSUs were settled for $140. For the three and nine months ended September 30, 2018, share-based payment (income)/expense of $(338) and $308, respectively, has been recognized in the condensed consolidated interim statements of operations. For the three and nine months ended September 30, 2017, share-based payment expense of $148 and $516, respectively, has been recognized in the condensed consolidated interim statements of operations.

For the period December 31, 2017 through September 30, 2018, the Company had changes in RSUs as follows:

	RSUs
Balance as at December 31, 2017	**1,631,880**
Granted	1,367,303
Cash settled	(75,017)
Forfeited	(107,472)
Balance as at September 30, 2018	**2,816,694**

15. INCOME TAXES

For the three and nine months ended September 30, 2018 and September 30, 2017, the Company had total current and deferred income tax expense and effective tax rates as follows:

(unaudited in thousands of US Dollars)	*For the three months ended September 30,* **2018**	2017	*For the nine months ended September 30,* **2018**	2017
Current income tax expense	**$ 2,807**	$ 50	**$ 10,320**	$ 50
Deferred income tax expense (income), net	**(461)**	523	**(1,370)**	1,133
Total current and deferred income tax expense	**$ 2,346**	$ 573	**$ 8,950**	$ 1,183

The Company calculates an estimated average annual effective tax rate for each of the jurisdictions in which it operates. For the three months ended September 30, 2018 and September 30, 2017, the Company had effective tax rates of (34.56)% and (6.83)%, respectively. For the nine months ended September 30, 2018 and September 30, 2017, the Company had effective tax rates of 14.14% and (5.56)%, respectively. The effective tax rate for the three and nine months ended September 30, 2018 compared to the three and nine months ended September 30, 2017 is primarily higher due to Itafos Conda income. Additionally, the effective tax rate for the current period is impacted by losses generated by Itafos Arraias, which commenced commercial production in Q3 2018.

As at September 30, 2018 and December 31, 2017, the Company had total income tax liabilities as follows:

(unaudited in thousands of US Dollars)	**Balance sheet location**	**September 30, 2018**	December 31, 2017
Taxes payable	Accounts payable and accrued liabilities	**$ 10,786**	$ 466
Non-current deferred income tax liabilities	Deferred tax liabilities	**8,950**	–
Total income tax liabilities		**$ 19,736**	$ 466

As at September 30, 2018, taxes payable are primarily attributable to the tax provision relating to Itafos Conda**.**

As a result of the excess book basis compared to the tax basis resulting from the revised fair values of certain Itafos Conda assets, the Company recognized deferred tax liabilities of $11,151. These deferred tax liabilities will be utilized based on the consumption of inventory and depreciation of the property, plant and equipment over its useful life (see Note 4).

16. PROVISIONS

As at September 30, 2018 and December 31, 2017, the Company had provisions as follows:

(unaudited in thousands of US Dollars)	**September 30, 2018**	December 31, 2017
Legal contingencies	**$ 702**	$ 542
Environmental and asset retirement obligations	**12,756**	2,952
Provisions	**$ 13,458**	$ 3,494
Less: current portion	**(702)**	(542)
Long-term provisions	**$ 12,756**	**$ 2,952**

As at September 30, 2018 and December 31, 2017, the environmental and asset retirement obligations of Itafos Conda were $10,039 and $0, reflecting obligations from extractive activity during the nine months ended September 30, 2018.

17. SHARE CAPITAL

Authorized Capital

The Company is authorized to issue up to 5,000,000,000 shares. The Company's shares have a par value of C$0.001.

Shares Issued and Outstanding

As at September 30, 2018 and December 31, 2017, the Company had 142,070,301 and 128,018,569 of issued and outstanding shares, respectively.

On June 6, 2018, the Company issued 2,750,000 shares to the syndicate of lenders of the Facility (see Note 13).

On February 27, 2018, the Company issued 11,301,732 shares as a part of the GBL Arrangement (see Note 4).

On July 18, 2017, the Company issued 2,985,777 shares as a part of the STG Arrangement (See Note 4).

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). The net proceeds include $29,840 from the issuance of 19,883,128 shares through private placement and conversion of $3,000 from the issuance of 1,906,541 shares to settle notes payable to CLF.

For the three and nine months ended September 30, 2018 and September 30, 2017, the Company had weighted-average number of shares and dilutive share equivalents as follows:

	For the three months ended September 30,		*For the nine months ended September 30,*	
	2018	2017	**2018**	2017
Weighted average number of shares	**142,070,301**	81,720,110	**138,087,699**	74,791,127
Weighted average number of dilutive options and convertible debentures	**–**	–	**1,645,666**	–
Diluted weighted average number of shares	**142,070,301**	**81,720,110**	**139,733,365**	**74,791,127**

For the three months ended September 30, 2018 and the three and nine months ended September 30, 2017, the Company had net losses. Accordingly, all dilutive options and convertible debentures were excluded from diluted weighted average number of shares as these instruments were anti-dilutive.

NCI of Brazilian Subsidiaries

Brazilian warrants with third parties were exercised at a conversion rate of R$1 per share into 29,804,079 preferred shares of Brazilian subsidiaries Itafos Arraias and Itafos Santana. The NCI percentage in Itafos Arraias is approximately 3.2% and in Itafos Santana is approximately 0.6% (see Note 2). As at December 31, 2017, the Company recorded NCI of $9,062. For the three and nine months ended September 30, 2018, no net loss or comprehensive loss was allocated to NCI.

18. FOREIGN EXCHANGE GAIN (LOSS)

During the three and nine months ended September 30, 2018, the Company recognized a foreign exchange gain (loss) of $(748) and $289, respectively. During the three and nine months ended September 30, 2017, the Company recognized a foreign exchange loss of $392 and $1,286, respectively. These amounts are primarily comprised of the gain (loss) resulting from remeasuring monetary items denominated in Brazilian Reals and Canadian Dollars.

19. FINANCE INCOME (EXPENSE)

For the three and nine months ended September 30, 2018 and September 30, 2017, the Company had finance income (expense) as follows:

(unaudited in thousands of US Dollars)	*For the three months ended September 30,* **2018**	2017	*For the nine months ended September 30,* **2018**	2017
Interest expense	**$ (5,550)**	$ 93	**$ (11,050)**	$ –
Other financial expense	**–**	(7)	**–**	(27)
Interest income	**1**	48	**174**	49
Finance income (expense)	**$ (5,549)**	$ 134	**$ (10,876)**	$ 22

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 the Company's financial position, results of operations or cash flows. Based on the Company's knowledge and assessment of events as at September 30, 2018, the Company does not believe that the outcome of any of the matters, individually or in aggregate, not recorded in these condensed consolidated interim financial statements would have a material adverse effect. As at September 30, 2018, the Company has currently accrued $702 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

The Company reports across four segments including (i) Itafos Conda, (ii) Itafos Arraias, (iii) development and exploration and (iv) corporate. The development and exploration segment is comprised of activities related to the Company's projects including (i) Itafos Paris Hills, (ii) Itafos Farim, (iii) Itafos Santana, (iv) Itafos Araxá and (v) Itafos Mantaro. The Corporate segment is comprised of support and administrative activities and includes the Facility.

For the three months ended September 30, 2018 the Company had net income (loss) by operating segment as follows:

(unaudited in thousands of US Dollars)	**Itafos Conda**	**Itafos Arraias**	**Development and exploration**	**Corporate**	**Total**
Revenues, net	**$ 58,327**	**17,955**	**–**	**–**	**$ 76,282**
Cost of goods sold	45,713	25,653	–	–	71,366
	$ 12,614	**$ (7,698)**	**$ –**	**$ –**	**$ 4,916**
Operating expenses					
Selling, general and administrative expenses	1,384	824	259	2,107	4,574
Operating income (loss)	**$ 11,230**	**$ (8,522)**	**$ (259)**	**$ (2,107)**	**$ 342**
Foreign exchange gain (loss)	(2)	(546)	(153)	(47)	(748)
Other Income (expense), net	12	(851)	–	5	(834)
Gain on fair valuation of Itafos Conda, net	–	–	–	–	–
Finance income	–	–	–	1	1
Finance expense	(145)	(135)	–	(5,270)	(5,550)
Warrant expense	–	–			
Gain (loss) from investment in associates	–	–	–	–	–
Income (loss) before income taxes	**$ 11,095**	**$ (10,054)**	**$ (412)**	**$ (7,418)**	**$ (6,789)**
Current and deferred income tax	2,077	–	–	269	2,346
Net income (loss)	**$ 9,018**	**$ (10,054)**	**$ (412)**	**$ (7,687)**	**$ (9,135)**

For the three months ended September 30, 2017 the Company had net income (loss) by operating segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Revenues, net	$ –	–	–	–	$ –
Cost of goods sold	–	–	–	–	–
	$ –	–	–	–	$ –
Operating expenses					
Selling, general and administrative expenses	–	2,590	303	2,028	4,921
Operating income (loss)	$ –	$ (2,590)	$ (303)	$ (2,028)	$ (4,921)
Foreign exchange gain (loss)	–	(283)	31	(140)	(392)
Other Income (expense), net	–	(1,540)	(47)	98	(1,489)
Gain on fair valuation of Itafos Conda, net	–	–	–	–	–
Finance income	–	–	–	182	182
Finance expense	–	(48)	–	–	(48)
Warrant expense	–	(1,400)	–	–	(1,400)
Gain (loss) from investment in associates	–	–	(322)	–	(322)
Income (loss) before income taxes	$ –	$ (5,861)	$ (641)	$ (1,888)	$ (8,390)
Current and deferred income tax	–	–	–	573	573
Net income (loss)	$ –	$ (5,861)	$ (641)	$ (2,461)	$ (8,963)

For the nine months ended September 30, 2018 the Company had net income (loss) by operating segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Revenues, net	$ 183,630	17,955	–	–	$ 201,585
Cost of goods sold	142,340	25,653	–	–	167,993
	$ 41,290	$ (7,698)	$ –	$ –	$ 33,592
Operating expenses					
Selling, general and administrative expenses	1,975	3,850	1,059	11,000	17,884
Operating income (loss)	$ 39,315	$ (11,548)	$ (1,059)	$ (11,000)	$ 15,708
Foreign exchange gain (loss)	(3)	438	(237)	91	289
Other Income (expense), net	46	(853)	(1)	18	(790)
Gain on fair valuation of Itafos Conda, net	51,027	–	–	–	51,027
Finance income	–	–	–	174	174
Finance expense	(188)	(448)	(100)	(10,314)	(11,050)
Warrant expense	–	–	–	–	–
Gain (loss) from investment in associates	–	–	7,910	–	7,910
Income (loss) before income taxes	$ 90,197	$ (12,411)	$ 6,513	$ (21,031)	$ 63,268
Current and deferred income tax	8,065	–	–	885	8,950
Net income (loss)	$ 82,132	$ (12,411)	$ 6,513	$ (21,916)	$ 54,318

For the nine months ended September 30, 2017 the Company had net income (loss) by operating segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Revenues, net	**$ –**	**–**	**–**	**–**	**$ –**
Cost of goods sold	–	–	–	–	–
	$ –	**–**	**–**	**–**	**$ –**
Operating expenses					
Selling, general and administrative expenses	–	6,491	350	6,250	13,091
Operating income (loss)	**$ –**	**$ (6,491)**	**$ (350)**	**$ (6,250)**	**$ (13,091)**
Foreign exchange gain (loss)	–	(1,101)	31	(216)	(1,286)
Other Income (expense), net	–	(3,609)	(117)	98	(3,628)
Gain on fair valuation of Itafos Conda, net	–	–	–	–	–
Finance income	–	21	–	49	60
Finance expense	–	(48)	–	–	(48)
Warrant expense	–	(1,400)	–	–	(1,400)
Gain (loss) from investment in associates	–	–	(1,909)	–	(1,909)
Income (loss) before income taxes	**$ –**	**$ (12,628)**	**$ (2,345)**	**$ (6,319)**	**$ (21,292)**
Current and deferred income tax	–	–	–	1,183	1,183
Net income (loss)	**$ –**	**$ (12,628)**	**$ (2,345)**	**$ (7,502)**	**$ (22,475)**

As at September 30, 2018, the Company had total assets and total liabilities by operating segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Total assets	$ 256,171	$ 343,681	$ 107,349	$ 23,053	**$ 730,254**
Total liabilities	$ 95,258	$ 21,872	$ 3,963	$ 165,361	**$ 286,454**

As at December 31, 2017, the Company had total assets and total liabilities by operating segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Total assets	$ –	$ 315,913	$ 36,398	$ 68,980	**$ 421,291**
Total liabilities	$ –	$ 20,981	$ 3,689	$ 35,022	**$ 59,692**

As at September 30, 2018 and December 31, 2017, the Company had property, plant and equipment, net and mineral properties by region as follows:

(unaudited in thousands of US Dollars)	**September 30, 2018**	December 31, 2017
Brazil (South America)	**$ 320,663**	$ 303,795
US (North America)	**97,583**	6,827
Guinea-Bissau (Africa)	**84,043**	–
Property, plant and equipment, net and mineral properties	**$ 502,289**	**$ 310,622**

22. NET CHANGE IN NON-CASH WORKING CAPITAL

For the nine months ended September 30, 2018 and September 30, 2017, the Company had net change in non-cash working capital as follows:

(unaudited in thousands of US Dollars)		September 30, 2018		September 30, 2017
Accounts receivable	$	(26,163)	$	(106)
Inventories, net		(16,827)		(7,546)
Other assets and prepaids		(7,252)		2,884
Accounts payable and accrued liabilities		27,940		1,030
Other liabilities payable through MAP offtake agreement		(23,844)		–
Other liabilities and provisions		3,452		1,702
Net change in non-cash working capital	**$**	**(42,694)**	**$**	**(2,036)**

23. RELATED PARTY TRANSACTIONS

The Company's related party transactions include key management compensation and debt from CLF, its principal shareholder (see Note 2).

Key Management Compensation

Key management includes directors and officers of the Company. Key management compensation considers amounts the Company has paid or has payable to key management for employee services.

For the three and nine months ended September 30, 2018 and September 30, 2017, the Company had key management compensation as follows:

	For the three months ended September 30,				*For the nine months ended September 30,*			
(unaudited in thousands of US Dollars)		2018		2017		2018		2017
Management compensation and director fees	$	293	$	366	$	1,313	$	1,971
Other benefits		8		6		29		32
Key management compensation	**$**	**301**	**$**	**372**	**$**	**1,342**	**$**	**2,003**

CLF Debt

CLF is a lender under the Facility with participation of $31,634 of the $165,000 principal as of the date of issuance (see Note 13). Also, CLF received 527,072 of the 2,750,000 shares of the Company issued in connection with the closing of the Facility.

On January 12, 2018, February 26, 2018 and September 9, 2017 the Company received $13,000, $16,842 and $4,500, respectively, of financing proceeds from CLF in the form of promissory notes. On August 11, 2017, the Company received $10,000 of aggregate financing proceeds from CLF and Pala Investments Limited in the form of promissory notes. As of the closing of the Facility, the promissory notes were extinguished (see Note 13).

On February 23, 2017, the Company received $3,000 of financing proceeds from CLF in the form of a promissory note (the "CLF Note"). On March 9, 2017, the Company settled the CLF Note through the issuance of 1,906,541 shares of the Company to CLF.

24. FAIR VALUE MEASUREMENT AND RISK FACTORS

The Company's activities expose it to a variety of financial risks, including, but not limited to, 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 a 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. As at September 30, 2018 and December 31, 2017, the Company had accounts receivable of $26,428 and $116, respectively. 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 and the debt financing raised through the Facility, management is pursuing further equity and/or debt financing to support the funding of strategic, general corporate and working capital requirements. Based on the Company's 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 such financings. In addition, with the acquisition of Itafos Conda on January 12, 2018, a cash flow generating business, the Company has further solidified its operating cash flows and financial position (see Note 4).

Foreign Currency Risk

On January 1, 2017, the Brazilian subsidiaries changed their functional currency from Brazilian Reals to US Dollars based on Itafos Arraias re-commencing development activities and considering the financing of the entities.

On February 27, 2018, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of GBL, the owner of Itafos Farim (see Note 4). GBL's functional currency is Canadian Dollars and the functional currency of its subsidiary Itafos Farim, Sarl (formerly known as GB Minerais Sarl) is Central African Francs. The currency translation impact of such non-US Dollar currencies has been appropriately reflected in the condensed consolidated interim financial statements.

Commodity Price Risk

The Company is exposed to commodity price risk with respect to global fertilizer prices. Global 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 are able to continue as a going concern while attempting to maximize shareholder return 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 management to sustain future development of the Company. The Company 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.

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. During the three and nine months ended September 30, 2018, there were no such transfers.

The fair values of cash, accounts receivables, accounts payable, accrued liabilities, debt and debentures approximate their carrying values in the consolidated balance sheets since the interest receivable and or payable is either close to current market rates or the instruments are short-term in nature. Long-term debt is recorded on the condensed interim consolidated balance sheets at September 30, 2018 at amortized cost. The fair value of long-term debt is determined by applying a discount rate, reflecting the credit spread based on the Company's credit rating, to future related cash flows which is categorized within Level 2 of the fair value hierarchy. As at September 30, 2018 and December 31, 2017, the Company's long-term debt is stated at an amortized cost of $161,809 and $4,913, respectively, and has a fair value of $164,823 and $3,325, respectively.

25. SUBSEQUENT EVENTS

As of the date of approval of the condensed consolidated interim financial statements, there have been no subsequent events.

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