



**Condensed Consolidated Interim Financial Statements
for the three and six months ended June 30, 2019 and 2018
(Unaudited)**

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CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT JUNE 30, 2019 AND DECEMBER 31, 2018

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents <i>(Note 12)</i>	\$ 13,932	\$ 9,919
Accounts receivable	30,815	35,907
Short-term investments <i>(Note 5)</i>	—	2,106
Inventories, net <i>(Note 6)</i>	112,318	133,840
Other current assets <i>(Note 9)</i>	9,250	12,704
Total current assets	\$ 166,315	\$ 194,476
Property, plant and equipment, net <i>(Note 7)</i>	259,713	245,418
Mineral properties, net <i>(Note 8)</i>	127,022	124,286
Deferred tax assets <i>(Note 18)</i>	1,157	1,157
Other long-term assets <i>(Note 9)</i>	12,368	11,082
Total non-current assets	\$ 400,260	\$ 381,943
Total assets	\$ 566,575	\$ 576,419
Liabilities		
Accounts payable and accrued liabilities <i>(Note 10)</i>	\$ 75,562	\$ 75,601
Provisions <i>(Note 11)</i>	2,385	494
Current debt <i>(Note 12)</i>	1,346	325
Contract liabilities	1,990	2,067
Current debentures <i>(Note 12)</i>	1,054	942
Other current liabilities <i>(Note 13)</i>	3,078	—
Total current liabilities	\$ 85,415	\$ 79,429
Long-term debt <i>(Note 12)</i>	168,705	160,258
Long-term debentures <i>(Note 12)</i>	2,456	2,588
Deferred tax liabilities <i>(Note 18)</i>	11,746	14,961
Long-term provisions <i>(Note 11)</i>	43,435	39,148
Other long-term liabilities <i>(Note 13)</i>	18,492	8,256
Total long-term liabilities	\$ 244,834	\$ 225,211
Total liabilities	\$ 330,249	\$ 304,640
Equity		
Share capital <i>(Note 14)</i>	514,001	515,029
Contributed surplus	246,626	246,626
Cumulative translation adjustment reserve	4,660	3,655
Deficit	(538,023)	(502,593)
Equity attributable to shareholders of the parent	\$ 227,264	\$ 262,717
Non-controlling interest <i>(Notes 2 and 14)</i>	9,062	9,062
Total equity	\$ 236,326	\$ 271,779
Total liabilities and equity	\$ 566,575	\$ 576,419

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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

<i>(unaudited in thousands of US Dollars except for per share amounts)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2019	2018	2019	2018
Revenues, net (Note 15)	\$ 103,072	\$ 67,187	\$ 176,250	\$ 125,303
Cost of goods sold	110,022	53,780	183,362	101,032
	\$ (6,950)	\$ 13,407	\$ (7,112)	\$ 24,271
Expenses				
Selling, general and administrative expenses	7,129	4,802	12,977	13,025
Operating income/(loss)	\$ (14,079)	\$ 8,605	\$ (20,089)	\$ 11,246
Foreign exchange gain (loss) (Notes 16 and 23)	(958)	1,066	(1,816)	1,037
Other income (expense)	(2,472)	235	(1,772)	44
Gain on fair valuation of Itafos Conda, net (Note 4)	—	—	—	46,902
Finance expense, net (Note 17)	(5,621)	(3,479)	(11,062)	(5,604)
Gain from investments in associates	—	1	—	7,910
Income (loss) before income taxes	\$ (23,130)	\$ 6,428	\$ (34,739)	\$ 61,535
Current and deferred income tax expense (recovery) (Note 18)	(1,533)	1,692	189	5,475
Net income (loss) attributable to shareholders of the parent	\$ (21,597)	\$ 4,736	\$ (34,928)	\$ 56,060
Net loss attributable to non-controlling interest	—	—	—	—
Net income (loss)	\$ (21,597)	\$ 4,736	\$ (34,928)	\$ 56,060
Basic income (loss) per share (Note 14)	\$ (0.15)	\$ 0.03	\$ (0.25)	\$ 0.41
Fully diluted income (loss) per share (Note 14)	\$ (0.15)	\$ 0.03	\$ (0.25)	\$ 0.41

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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2019	2018	2019	2018
Net income (loss)	\$ (21,597)	\$ 4,736	\$ (34,928)	\$ 56,060
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment <i>(Note 23)</i>	(379)	(1,319)	1,005	(1,989)
Total other comprehensive income (loss) attributable to shareholders of the parent	\$ (21,976)	\$ 3,417	\$ (33,923)	\$ 54,071
Other comprehensive income (loss) attributable to non-controlling interest	—	—	—	—
Total other comprehensive income (loss)	\$ (21,976)	\$ 3,417	\$ (33,923)	\$ 54,071

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

<i>(unaudited in thousands of US Dollars except for number of shares)</i>	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 December 31, 2018	142,070,301	\$ 515,029	\$ 246,626	\$ 3,655	\$ (502,593)	\$ 262,717	\$ 9,062	\$ 271,779
Adjustment on initial application of IFRS 16 (Note 3)	—	—	—	—	(502)	(502)	—	(502)
Adjusted balance as at January 1, 2019	142,070,301	515,029	246,626	3,655	(503,095)	262,215	9,062	271,277
Net Income (loss)	—	—	—	—	(34,928)	(34,928)	—	(34,928)
Accumulated other comprehensive income (loss)	—	—	—	—	—	—	—	—
Cumulative translation adjustment (Note 23)	—	—	—	1,005	—	1,005	—	1,005
Repurchase of shares through the NCIB (Note 14)	(1,771,500)	(1,028)	—	—	—	(1,028)	—	(1,028)
Balance as at June 30, 2019	140,298,801	\$ 514,001	\$ 246,626	\$ 4,660	\$ (538,023)	\$ 227,264	\$ 9,062	\$ 236,326
Balance as at December 31, 2017	128,018,569	\$ 486,562	\$ 246,626	\$ 8,455	\$ (389,106)	\$ 352,537	\$ 9,062	\$ 361,599
Net income (loss)	—	—	—	—	56,060	56,060	—	56,060
Accumulated other comprehensive income (loss)	—	—	—	—	—	—	—	—
Cumulative translation adjustment (Note 23)	—	—	—	(1,989)	—	(1,989)	—	(1,989)
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 debt issuance (Note 12)	2,750,000	5,132	—	—	—	5,132	—	5,132
Balance as at June 30, 2018	142,070,301	\$ 515,029	\$ 246,626	\$ 6,466	\$ (333,046)	\$ 435,075	\$ 9,062	\$ 444,137

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

<i>(unaudited in thousands of US Dollars)</i>	<i>For the six months ended June 30,</i>	
	2019	2018
Operating activities		
Net income (loss)	\$ (34,928)	\$ 56,060
Adjustments for the following items:		
Depreciation and depletion	21,009	6,518
Cash settlement of share-based payments	(9)	(140)
Share-based payment (recovery) expense	261	646
Current and deferred income tax expense	189	5,475
Gain from investment in associates	—	(7,910)
Gain on fair valuation of Itafos Conda, net <i>(Note 4)</i>	—	(46,902)
Unrealized foreign exchange loss	165	(1,037)
Finance expense, net <i>(Note 18)</i>	11,062	5,604
Net change in non-cash working capital <i>(Note 21)</i>	24,737	(24,274)
Cash flows from operating activities	\$ 22,486	\$ (5,960)
Investing activities		
Addition of property, plant and equipment and mineral properties	\$ (14,215)	\$ (23,952)
Maturity of short-term investments	2,106	—
Acquisition of Itafos Conda <i>(Note 4)</i>	—	(66,500)
Cash received from Itafos Conda at acquisition	—	725
Acquisition of GBL <i>(Note 4)</i>	—	(25,539)
Issuance of note to GBL <i>(Note 9)</i>	—	(4,500)
Cash received from GBL at acquisition	—	2,898
Cash flows from investing activities	\$ (12,109)	\$ (116,868)
Financing activities		
Proceeds from debt financing <i>(Note 12)</i>	\$ —	\$ 132,671
Repayment of debt financing	—	(4,451)
Repayment of principal portion of lease liabilities	(1,059)	—
Payment of interest expense	(4,250)	(3,982)
Payment of financing related costs	—	(2,079)
Repurchase of shares through the NCIB <i>(Note 14)</i>	(1,028)	—
Cash flows from financing activities	\$ (6,337)	\$ 122,159
Effect of foreign exchange of non-US Dollar denominated cash	\$ (27)	\$ (112)
Increase (decrease) in cash	4,013	(781)
Cash, beginning of period	9,919	63,677
Cash, end of period	\$ 13,932	\$ 62,896

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(unaudited amounts in thousands of US Dollars)

1. GENERAL COMPANY INFORMATION

Itafos (TSXV: IFOS) (the “Company”) is a vertically integrated phosphate 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 mine and 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 phosphate fertilizer business that produces and sells single superphosphate (“SSP”), SSP with micronutrients (“SSP+”), premium PK compounds and excess sulfuric acid located in Tocantins, Brazil;
- Itafos Paris Hills – a high-grade phosphate mine project located in Idaho, US;
- Itafos Farim – a high-grade phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Santana – a vertically integrated high-grade phosphate mine and fertilizer plant project located in Pará, Brazil;
- Itafos Mantaro – a large phosphate mine project located in Junin, Peru; and
- Itafos Araxá – a vertically integrated rare earth elements and niobium mine and extraction plant project located in Minas Gerais, Brazil.

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 22). CLF is a Delaware limited liability company with offices in Minnesota, US. As at June 30, 2019, CLF beneficially owned and controlled 84,624,844 shares of the Company, representing approximately 60.3% of the issued and outstanding shares on an undiluted basis. As at December 31, 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 (see Note 14). CLF is a related party (see Note 22).

The Company’s shares trade on the TSX Venture Exchange (“TSXV”) under the trading symbol “IFOS”. The Company’s registered office is at Uglund 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 (“IFRS”) as issued by the International 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, 2018, which include 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 August 15, 2019.

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. In July 2019, the Company received commitment from CLF to continue to provide financial support as required to meet its liabilities as and when they become due to ensure business continuity and ongoing operations over the next 15 months.

As at June 30, 2019, the Company has reclassified certain items to conform with current period presentation as follows:

- For the three months ended June 30, 2018, the Company included \$85, \$291 and \$424 of selling, general and administrative expenses in the corporate segment that have been reclassified in the Itafos Conda, Itafos Arraias and development and exploration segments, respectively (see Note 20).
- For the six months ended June 30, 2018, the Company included \$131, \$731 and \$814 of selling, general and administrative expenses in the corporate segment that have been reclassified in the Itafos Conda, Itafos Arraias and development and exploration segments, respectively (see Note 20).

During December 2018, the Company finalized the purchase price allocation of Itafos Conda (see Note 4). Accordingly, the Company has revised certain items as follows:

- For the three and six months ended June 30, 2018, the Company increased cost of goods sold by \$1,378 and \$4,405, respectively and finance expense by \$136 and \$278, respectively (see Note 20);
- For the three and six months ended June 30, 2018, the Company recognized a gain on fair valuation of Itafos Conda of \$0 and \$46,902, respectively (see Notes 4 and 20); and
- For the three months ended March 31, 2018, the Company recognized transaction costs related to the acquisition of Itafos Conda as selling, general and administrative expenses in the corporate segment of \$3,000, which were previously recognized in the three months ended June 30, 2018.

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 June 30, 2019 and December 31, 2018, the Company had subsidiaries located in Barbados, Brazil, the British Virgin Islands, the Cayman Islands, Guinea-Bissau, the Netherlands, Peru, Portugal, Switzerland and the US. 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 GB Minerals Ltd. ("GBL"), the owner of Itafos Farim (see Note 4). As at December 31, 2018, the Company had two subsidiaries located in Canada including GBL and a wholly-owned subsidiary of GBL. In May 2019, GBL and its wholly-owned subsidiary located in Canada merged, with GBL surviving. Also in May 2019, GBL migrated to the Cayman Islands and changed its name to Itafos Farim Holdings.

During Q1 2018, Brazilian warrants held by third parties were converted into shares, resulting in non-controlling interests ("NCI") in Itafos Arraias and Itafos Santana. During Q2 2018, NCI in Itafos Arraias was reduced due to the capitalization of intercompany loans (see Note 14).

As at June 30, 2019 and December 31, 2018, the Company had NCI as follows:

	Company interests	NCI
Itafos Arraias Mineracao e Fertilizantes S.A.	97.0%	3.0%
Itafos Santana Mineracao e Fertilizantes S.A.	99.4%	0.6%

CURRENCIES

The Company's presentation and functional currency is US Dollars ("\$"). In May 2019, GBL changed its functional currency from Canadian Dollars to US Dollars and Itafos Farim, Sarl (formerly known as GB Minerais Sarl), a wholly-owned subsidiary of GBL, changed its functional currency from Central African Francs to US Dollars.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical accounting estimates and judgments included in the Company's audited consolidated financial statements for the year ended December 31, 2018 remain applicable for these condensed consolidated interim financial statements. With the adoption of IFRS 16 Leases ("IFRS 16"), the Company's critical accounting estimates now include estimates and judgments related to the determination of interest rate and lease term used when accounting for leases in accordance with IFRS 16 (see Note 3).

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, 2018, where applicable.

IFRS 16

In January 2016, the IASB issued 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 are recorded on the balance sheet with corresponding lease liabilities. Exempt from IFRS 16 are 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.

On January 1, 2019, the Company amended its accounting policy for leases to align with the requirements of IFRS 16. Consistent with IFRS 16, the Company recognizes a right-of-use asset and corresponding lease liability for any leased assets not of low-value in nature with noncancelable lease terms greater than 12 months in duration. In determining the lease term, the Company assesses the economic benefits of exercising contractual options to extend the duration of the lease or terminate, when applicable.

Upon recognizing a right-of-use asset, the Company discounts the future lease payments, including any applicable residual value guarantees, purchase options, or termination penalties, using an interest rate within the following hierarchy: (i) borrowing rate implicit in the lease and (ii) the Company's incremental borrowing rate. Variable lease payments dependent upon an index or rate are measured using the index or rate at the commencement date of the lease. The amount capitalized as a right-of-use asset is depreciated over the term of the lease and the corresponding lease liability is charged interest at the same rate used for discounting purposes. If the Company is unable to quantify the value of a right-of-use asset because the lease payments are variable and not dependent upon an index or rate, the Company shall not recognize a right-of-use asset or corresponding lease liability, but rather disclose the amount of costs incurred during the period relating to such arrangements.

The Company will assess a lease modification to determine if the modification should be accounted for as a separate lease or the modification should be allocated to the remaining lease term of the modified lease. The Company's determination will be based on the change in scope of the lease agreement and whether the price is commensurate with the change in scope. If the Company determines that a lease modification shall not be accounted for as a separate lease, the Company will remeasure the future lease payments in a manner consistent with that of a new lease. The measured future lease payments will be discounted using effective rates at time of the modification over the revised term of the modified lease.

The Company elected to apply the modified retrospective approach when recognizing initial implementation of IFRS 16. Under the modified retrospective approach, the Company did not restate comparative financial results to present the effects of retrospective adoption of IFRS 16. Instead, the Company recognized a one-time adjustment to increase the

retained deficit by \$502 on January 1, 2019. The adjustment reflects depreciation and interest charges on leases in excess of previously recognized rental expenses on leases classified as operating under International Accounting Standard 17 Leases.

On January 1, 2019, the Company recognized \$13,170 of right-of-use assets, net of accumulated depreciation, and \$13,672 of corresponding lease liabilities. The Company elected to exclude initial direct costs when measuring the amount of right-of-use assets. Additionally, the Company elected to apply a single discount rate to portfolios of leases with similar characteristics.

The off-balance sheet lease obligations as at December 31, 2018 are reconciled to the recognized lease liabilities as at January 1, 2019 as follows:

<i>(unaudited in thousands of US Dollars)</i>	January 1, 2019
Off-balance sheet lease obligations as at December 31, 2018	\$ 15,522
Other	744
Operating lease obligation as at January 1, 2019 (without discounting)	16,266
Discounting at weighted average rate of 7.64%	(2,594)
Total lease liabilities as at January 1, 2019 (initial application of IFRS 16)	\$ 13,672

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS (THE “INTERPRETATION”)

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after January 1, 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively. The Company concluded that the effect of this Interpretation will not have a material impact. Accordingly, the Company has not recorded any adjustment to these condensed consolidated interim financial statements.

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. In connection with the acquisition of Itafos Conda, certain other agreements were entered into as follows:

- a MAP offtake agreement whereby Agrium purchases 100% of MAP produced by Itafos Conda through December 31, 2023;
- an ammonia supply agreement whereby Agrium supplies 100% of ammonia required by Itafos Conda through December 31, 2023;
- a phosphate ore supply agreement whereby Itafos Conda purchases phosphate ore from a subsidiary of Agrium; and
- a mining services agreement whereby Itafos Conda causes its mining contractor to provide certain mining services for the benefit of a subsidiary of Agrium through December 31, 2018.

Also in connection with the acquisition of Itafos Conda, Agrium agreed to assume full liability for all environmental and asset retirement obligations relating to the pre-closing operations of Itafos Conda. Accordingly, the Company has not recorded any contingencies for pre-acquisition environmental and asset retirement obligations. As current owner and operator of Itafos Conda, the Company will be liable for certain environmental and asset retirement obligations relating

to the post-closing operations of Itafos Conda.

The Company accounted for the acquisition of Itafos Conda as a business combination and has completed a process of fair valuing the net assets acquired. 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 date. 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. The base purchase price of \$66,500 was paid in cash at closing and the remainder of the consideration for the acquisition was preliminarily recorded as 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. In addition, Itafos Conda received \$725 cash from Agrium at closing to offset a liability assumed by Itafos Conda of \$725 related to paid leave earned by the employees of Itafos Conda prior to the closing.

Post-closing, the Company and Agrium agreed that the value of the inventories and other assets as of the closing date 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. As a part of the Company's process of fair valuing its acquisition of Itafos Conda, the Company considered a combination of market and replacement cost valuation approaches to determine the fair value of inventories and other assets acquired. As a result, the Company revised the value of inventories and other assets to reflect fair value of \$101,780. In addition, the Company recorded spare parts at fair value of \$13,343.

Also in connection with the Company's process of fair valuing its acquisition of Itafos Conda, the Company engaged a third party to conduct an independent appraisal. The consideration for the acquisition was primarily based on the Company's estimate 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. The third party's independent appraisal process considered various valuation methodologies in addition to the discounted cash flow methodology. 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 Company revised the value of property, plant and equipment to reflect fair value of \$56,720.

The final fair values of net assets acquired resulted in an excess book basis compared to the tax basis. As a result, the Company recognized deferred tax liabilities of \$16,673, calculated considering the excess book basis and a statutory tax rate of 26.5%. The final assessment of the fair values of the net assets acquired resulted in a gain on fair valuation of Itafos Conda of \$46,902.

Details of the final purchase price allocation of the net assets acquired are as follows:

	<i>Final</i>
	January 12,
	2018
<i>(unaudited in thousands of US Dollars)</i>	
Base purchase price	\$ 66,500
Working capital adjustment	41,768
Total consideration for net assets	\$ 108,268
Fair value of net assets acquired:	
Inventories and other assets	101,780
Spare parts	13,343
Property, plant and equipment	56,720
Cash	725
Deferred tax liabilities	(16,673)
Other liabilities	(725)
Net assets acquired	\$ 155,170
Gain on fair valuation of Itafos Conda, net	\$ 46,902

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 Company accounted for the acquisition of GBL as an asset acquisition.

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, of which \$25,539 was paid in cash at closing and \$23,335 was paid with an issuance of 11,301,732 shares of the Company. All outstanding options of GBL were cancelled.

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

<i>(unaudited in thousands of US Dollars)</i>	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 net assets acquired:	
Mineral properties	\$ 81,224
Cash and cash equivalents	2,898
Other current assets	488
Property, plant and equipment	206
Notes payable	(12,524)
Accounts payable and accrued liabilities	(999)
Other long-term liabilities	(108)
Net assets acquired	\$ 71,185

As at March 31, 2018, the Company consolidated GBL into its condensed consolidated interim financial statements. As a result, the Company eliminated \$9,816 of the notes payable, which were notes payable by GBL to the Company (see Note 9).

5. SHORT-TERM INVESTMENTS

As at June 30, 2019 and December 31, 2018, the Company had short-term investments of \$0 and \$2,106, 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.

6. INVENTORIES

As at June 30, 2019 and December 31, 2018, the Company had inventories as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019	December 31, 2018
Finished goods	\$ 25,155	\$ 28,043
Work in process	8,258	5,686
Raw materials	62,918	86,165
Spare parts	19,627	17,316
Net realizable value adjustments	(3,640)	(3,370)
Inventories, net	\$ 112,318	\$ 133,840

As at June 30, 2019, net realizable value adjustments of \$(3,640) were comprised of \$(2,726) and \$(914) related to finished goods at Itafos Arraias and Itafos Conda, respectively. As at December 31, 2018, net realizable value adjustments of \$(3,370) were related to finished goods at Itafos Arraias.

7. PROPERTY, PLANT AND EQUIPMENT

As at June 30, 2019 and December 31, 2018, the Company had property, plant and equipment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Land	Buildings and plant	Machinery, equipment and other	Asset under construction	Total property, plant and equipment
Cost					
Balance as at December 31, 2018	\$ 24,860	\$ 145,675	\$ 137,271	\$ 24,845	\$ 332,651
Initial application of IFRS 16 <i>(Note 3)</i>	—	227	16,019	—	16,246
Additions	—	6,685	5,932	8,236	20,853
Disposals/transfers	(161)	—	502	(649)	(308)
Balance as at June 30, 2019	\$ 24,699	\$ 152,587	\$ 159,724	\$ 32,432	\$ 369,442
Accumulated depreciation					
Balance as at December 31, 2018	\$ —	\$ 27,286	\$ 59,947	\$ —	\$ 87,233
Initial application of IFRS 16 <i>(Note 3)</i>	—	—	3,076	—	3,076
Additions	—	325	19,241	—	19,566
Disposals/transfers	—	—	(146)	—	(146)
Balance as at June 30, 2019	\$ —	\$ 27,611	\$ 82,118	\$ —	\$ 109,729
Property, plant and equipment, net					
As at December 31, 2018	\$ 24,860	\$ 118,389	\$ 77,324	\$ 24,845	\$ 245,418
As at June 30, 2019	\$ 24,699	\$ 124,976	\$ 77,606	\$ 32,432	\$ 259,713

As at June 30, 2019 and December 31, 2018, the balances of property, plant and equipment include capitalized interest of \$7,691 and \$6,850, respectively.

For the six months ended June 30, 2019, the property, plant, and equipment additions included \$6,453 of Itafos Conda plant turnaround costs on a one year cycle.

IFRS 16 – RIGHT-OF-USE ASSETS

On January 1, 2019, the Company amended its accounting policy for leases to align with the requirements of IFRS 16. As at June 30, 2019 the Company had right-of-use assets, recorded as a component of property, plant and equipment, as follows:

<i>(unaudited in thousands of US Dollars)</i>	Right-of-use assets- buildings and plant		Right-of-use assets- machinery, equipment and other		Total right-of-use assets
Cost					
As at January 1, 2019 (initial application of IFRS 16)	\$	227	\$	16,019	\$ 16,246
Additions		—		984	984
Disposals/expirations		—		(146)	(146)
Balance as at June 30, 2019	\$	227	\$	16,857	\$ 17,084
Accumulated depreciation					
As at January 1, 2019 (initial application of IFRS 16)	\$	—	\$	3,076	\$ 3,076
Additions		71		2,341	2,412
Disposals/expirations		—		(146)	(146)
Balance as at June 30, 2019	\$	71	\$	5,271	\$ 5,342
Right-of-use assets, net					
Balance as at June 30, 2019	\$	156	\$	11,586	\$ 11,742

The Company is unable to quantify the value of certain of its right-of-use assets because the lease payments are variable and not dependent upon an index or rate. In such cases, the Company did not recognize a right-of-use asset or corresponding lease liability. For the three and six months ended June 30, 2019, the Company had \$4,755 and \$10,340, respectively of costs related to variable lease payments that are not dependent on an index or rate (see Note 3).

The Company is exempt from quantifying the value of certain of its right-of-use assets for leases that are 12 months or less in duration or for leases of low-value assets. In such cases, the Company did not recognize a right-of-use asset or corresponding lease liability. For the three and six months ended June 30, 2019, the Company's costs related to short-term leases of low-value assets were not material (see Note 3).

8. MINERAL PROPERTIES

As at June 30, 2019 and December 31, 2018, the Company had mineral properties as follows:

<i>(unaudited in thousands of US Dollars)</i>	Development costs		Exploration and evaluation costs		Accumulated depletion	Total mineral properties
Balance as at December 31, 2018	\$	45,398	\$	86,637	\$ (7,749)	\$ 124,286
Additions		4,220		3,101	—	7,321
Depletion		—		—	(5,618)	(5,618)
Foreign currency translation adjustments		—		1,033	—	1,033
Balance as at June 30, 2019	\$	49,618	\$	90,771	\$ (13,367)	\$ 127,022

Additions to exploration and evaluation costs were related to activities of Itafos Conda and Itafos Farim.

Foreign currency translation adjustments to exploration and evaluation costs were related to exchange rate changes prior to the US Dollar being designated as the functional currency of Itafos Farim (see Note 2).

9. OTHER ASSETS

As at June 30, 2019 and December 31, 2018, the Company had other assets as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019	December 31, 2018
Tax credits	\$ 14,012	\$ 13,552
Advances to suppliers	1,851	1,707
Other receivables	2,024	3,106
Deposits	—	1,500
Other	3,731	3,921
Other assets	\$ 21,618	\$ 23,786
Less: current portion	(9,250)	(12,704)
Other non-current assets	\$ 12,368	\$ 11,082

As at June 30, 2019 and December 31, 2018, the Company had other current assets as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019	December 31, 2018
Tax credits	\$ 2,429	\$ 3,146
Advances to suppliers	1,851	1,707
Other receivables	2,024	3,106
Deposits	—	1,500
Other	2,946	3,245
Other current assets	\$ 9,250	\$ 12,704

As at June 30, 2019 and December 31, 2018, tax credits were Brazilian state and federal tax credits that accumulated primarily on purchases of property, plant and equipment at Itafos Arraias, which can be applied to offset and potentially reimburse certain value added taxes and other taxes payable at Itafos Arraias in future periods.

As at June 30, 2019 and December 31, 2018, other receivables were related to activities performed by Itafos Conda on behalf of a subsidiary of Agrium.

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, these notes promissory notes, including accrued interest, were treated as an intercompany balance and eliminated on consolidation (see Note 4).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at June 30, 2019 and December 31, 2018, the Company had accounts payable and accrued liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019	December 31, 2018
Payroll and related taxes payable	\$ 5,407	\$ 6,938
Taxes payable	17,578	13,885
Trade payables	34,395	25,960
Accrued liabilities and other	13,842	12,519
Rebates	2,087	1,506
Other payables	2,253	2,175
Accrued liabilities payable through MAP offtake agreement	—	12,618
Accounts payable and accrued liabilities	\$ 75,562	\$ 75,601

11. PROVISIONS

As at June 30, 2019 and December 31, 2018, the Company had provisions as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019	December 31, 2018
Legal contingencies	\$ 2,385	\$ 494
Environmental and asset retirement obligations	43,435	39,148
Provisions	\$ 45,820	\$ 39,642
Less: current portion	(2,385)	(494)
Long-term provisions	\$ 43,435	\$ 39,148

For the six months ended June 30, 2019, the Company had changes in environmental and asset retirement obligations as follows:

<i>(unaudited in thousands of US Dollars)</i>	Environmental and asset retirement obligations
Balance as at December 31, 2018	\$ 39,148
Additions	3,942
Accretion	345
Balance as at June 30, 2019	\$ 43,435

12. DEBT AND DEBENTURES

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. 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. In connection with the closing of the Facility, the Company issued 2,750,000 shares to the syndicate of lenders of the Facility (including CLF) (see Notes 14 and 22).

As at June 30, 2019, \$8,667 of in-kind interest was capitalized into principal of the Facility. As at June 30, 2019, the Company accrued cash and in-kind interest related to the Facility in the amounts of \$309 and \$309, respectively.

The Company incurred financing costs of \$5,829 related to the Facility, which were capitalized. For the six months ended June 30, 2019 and 2018, the Company amortized \$2,245 and \$249, 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	September 30, 2019
Consolidated Leverage	4.50:1.00	September 30, 2019
Consolidated Leverage	4.25:1.00	March 31, 2020
Consolidated Leverage	4.00:1.00	June 30, 2020

In June 2019, the Company executed an amendment to the Facility, which delayed the testing of the restricted financial covenants commencing June 30, 2019 to September 30, 2019. 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.

On February 28, 2019, Itafos Conda purchased mining equipment in exchange for notes payable of \$1,341 and \$1,988 that mature in 24 months and 42 months, respectively. The notes payable bear interest at 8.3% per annum with equal monthly installments of principal and interest through maturity.

For the period December 31, 2018 through June 30, 2019, the Company had changes in debt as follows:

<i>(unaudited in thousands of US Dollars)</i>		Current debt		Long-term debt
Balance as at December 31, 2018	\$	325	\$	160,258
Capitalization of in-kind interest		—		4,250
Payment of interest		(4,250)		—
Interest accrual of the Facility		4,234		—
Change in accrued in-kind interest of the Facility		—		(16)
Amortization of financing costs		—		2,245
Notes payable related to equipment purchases at Itafos Conda		1,037		1,968
Balance as at June 30, 2019	\$	1,346	\$	168,705

DEBENTURES

As at June 30, 2019 and December 31, 2018, the Company had debentures as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019	December 31, 2018
Brazilian debentures	\$ 1,464	\$ 1,391
Canadian debentures	2,046	2,139
Less: current portion	(1,054)	(942)
Long-term portion of debentures	\$ 2,456	\$ 2,588

Brazilian debentures bear interest at 10% per annum with 10 equal annual installments of principal and interest through maturity on August 29, 2026.

Canadian debentures issued to CLF bear interest at 10% per annum with 10 equal annual installments of principal and interest through maturity on October 27, 2026.

Canadian debentures issued to Banco Modal S.A. bear interest at 7.5% per annum with four equal annual installments of principal and interest through maturity on May 31, 2021 and July 28, 2021.

13. OTHER LIABILITIES

As at June 30, 2019 and December 31, 2018, the Company had other long-term liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019	December 31, 2018
Taxes payable	\$ 7,801	\$ 7,280
Other equity warrants	—	85
Share-based payments	986	875
Lease liabilities	12,771	—
Other	12	16
Other liabilities	\$ 21,570	\$ 8,256
Less: current portion	(3,078)	—
Other long-term liabilities	\$ 18,492	\$ 8,256

As at June 30, 2019 and December 31, 2018, taxes payable were primarily related to the taxes payable to the Brazilian tax authorities resulting from intercompany loans between the Company's subsidiaries. These taxes would become due after 2020 upon maturity of the intercompany loans.

As at December 31, 2018, other equity warrants were related to 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"). 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. On January 7, 2019, the right to exercise the 800,000 ordinary share purchase warrants of the Company expired.

As at June 30, 2019 and December 31, 2018, share-based payments were related to RSUs granted by the Company under its restricted share unit plan ("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 grant date and 75% on the third anniversary of the grant date. The RSUs are accounted for as cash settled share-based payments with a liability 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.

On January 1, 2019, the Company amended its accounting policy for leases to align with the requirements of IFRS 16 (see Note 3). Lease liabilities reflect the present value of future payments under the terms of the leases. Amounts expected to be paid within 12 months are presented as other current liabilities and any payments expected to be paid beyond 12

months are included in other long-term liabilities.

As at June 30, 2019 and December 31, 2018, the Company had other current liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019		December 31, 2018
Lease liabilities	\$	3,078	\$ —
Other current liabilities	\$	3,078	\$ —

As at June 30, 2019, the Company had total future contractual payments for leases recognized under IFRS 16 as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019
Within 1 year	\$ 3,758
Between 2 and 3 years	5,229
Between 4 and 5 years	4,402
After 5 years	2,482
Total contractual payments	\$ 15,871

For the period December 31, 2018 through June 30, 2019, the Company had changes in lease liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	Current Lease Liabilities		Long-term Lease Liabilities	
Balance as at December 31, 2018	\$	—	\$	—
Initial Application of IFRS 16		4,009		9,663
New leases commenced during the period		128		817
Interest accrual on the leases		557		—
Lease payments		(1,616)		(787)
Balance as at June 30, 2019	\$	3,078	\$	9,693

For the six months ended June 30, 2019 and 2018, the Company granted 2,053,354 and 1,367,303 RSUs, respectively under the Company's RSU Plan. For the six months ended June 30, 2019, the Company cash settled 13,500 RSUs for \$9, which were related to 2017 grants. For the three and six months ended June 30, 2019, the Company had share-based payment expense of \$261 and \$119, respectively. For the three and six months ended June 30, 2018, the Company had share-based payment expense of \$29 and \$646, respectively.

For the period December 31, 2018 through June 30, 2019, the Company had changes in RSUs as follows:

	RSUs
Balance as at December 31, 2018	2,812,784
Granted	2,053,354
Cash settled	(13,500)
Forfeited	(23,589)
Balance as at June 30, 2019	4,829,049

During Q1 2019, 376,853 RSUs related to 2017 grants vested, net of the cash settled 13,500 RSUs. As at June 30, 2019, the Company was in process of issuing the shares or settling in cash, as applicable.

14. 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 June 30, 2019 and December 31, 2018, the Company had 140,298,801 and 142,070,301 and shares issued and outstanding, respectively.

On December 12, 2018, the Company received conditional acceptance from the TSXV to commence a Normal Course Issuer Bid ("NCIB"). Through the NCIB, the Company may purchase, from time to time as it considers advisable over the 12-month period of the NCIB, up to an aggregate of 7,103,515 shares of the Company (the "Shares"), representing 5.0% of the Company's outstanding shares as at December 12, 2018. The NCIB commenced on December 14, 2018 and will terminate on the earlier of (i) the Company purchasing the Shares, (ii) the Company providing a notice of termination or (iii) 12 months following the commencement date. All purchases through the NCIB have been and will be made through the facilities of the TSXV or alternative Canadian trading systems at market prices or by such other means as may be permitted under applicable securities laws.

During the first half of 2019, the Company repurchased 1,771,500 shares through the NCIB for an aggregate amount of \$1,028. As at June 30, 2019, the Company had cancelled the 1,771,500 shares repurchased through the NCIB.

On June 6, 2018, the Company issued 2,750,000 shares to the syndicate of lenders of the Facility (see Note 12).

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

For the three and six months ended June 30, 2019 and 2018, the Company had weighted-average number of shares and dilutive share equivalents as follows:

	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2019	2018	2019	2018
Weighted average number of shares	140,486,334	140,045,576	141,220,751	136,063,392
Weighted average number of potentially dilutive RSUs and convertible debentures	2,083,828	1,006,315	3,037,996	1,467,015
Diluted weighted average number of shares	142,570,162	141,051,891	144,258,747	137,530,407

For the three and six months ended June 30, 2019 the Company had net losses. Accordingly, all dilutive RSUs and convertible debentures were excluded from diluted weighted average number of shares as these instruments were anti-dilutive.

NCI

During Q1 2018, Brazilian warrants held by third parties were converted into shares, resulting in NCI in Itafos Arraias and Itafos Santana. During Q2 2018, NCI in Itafos Arraias was reduced due to the capitalization of intercompany loans. As at June 30, 2019 and December 31, 2018, the Company had NCI of \$9,062 and \$9,062, respectively (see Note 2).

15. REVENUES

For the three and six months ended June 30, 2019 and 2018, Itafos Conda had revenues as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2019	2018	2019	2018
MAP	\$ 48,067	\$ 32,333	\$ 82,553	\$ 67,242
MGA, net	683	—	712	—
SPA, net	34,082	29,696	67,715	52,903
APP, net	8,925	5,158	10,082	5,158
Revenues, net	\$ 91,757	\$ 67,187	\$ 161,062	\$ 125,303

For the three months ended June 30, 2019 and 2018, Itafos Conda recorded approximately 70% of its total revenues from three customers. For the six months ended June 30, 2019 and 2018 Itafos Conda recorded approximately 69% and 75%, respectively of its total revenues from three customers.

For the three and six months ended June 30, 2019 and 2018, Itafos Arraias had revenues as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2019	2018	2019	2018
SSP, net	\$ 3,290	\$ —	\$ 4,464	\$ —
SSP+, net	6,825	—	8,176	—
Excess sulfuric acid, net	1,200	—	2,548	—
Revenues, net	\$ 11,315	\$ —	\$ 15,188	\$ —

For the three and six months ended June 30, 2019, Itafos Arraias recorded approximately 19% and 57%, respectively of its SSP and SSP+ revenues from one customer.

On July 3, 2018, Itafos Arraias achieved commercial production by meeting the capacity utilization metric. During the second half of 2018, the Company began recognizing revenue earned through sales at Itafos Arraias. During the first half of 2018, as Itafos Arraias had not yet achieved commercial production, revenue earned through sales at Itafos Arraias was capitalized into property, plant and equipment.

16. FOREIGN EXCHANGE GAIN (LOSS)

For the three months ended June 30, 2019 and 2018, the Company recognized a foreign exchange gain (loss) of \$(958) and \$1,066, respectively. For the six months ended June 30, 2019 and 2018, the Company recognized a foreign exchange gain (loss) of \$(1,816) and \$1,037, respectively. These amounts are primarily comprised of the gain or loss resulting from remeasuring monetary items denominated in Brazilian Reals and Canadian Dollars.

17. FINANCE INCOME (EXPENSE)

For the three and six months ended June 30, 2019 and 2018, the Company had finance income (expense) as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2019	2018	2019	2018
Interest expense	\$ 6,068	\$ 3,480	\$ 11,977	\$ 7,729
Capitalized interest	(451)	—	(841)	(1,953)
Interest income	4	(1)	(74)	(172)
Finance expense, net	\$ 5,621	\$ 3,479	\$ 11,062	\$ 5,604

For the three months ended June 30, 2019 and 2018, interest expense includes \$307 and \$0 related to lease liabilities, respectively. For the six months ended June 30, 2019 and 2018, interest expense includes \$557 and \$0 related to lease liabilities, respectively.

18. INCOME TAXES

For the three and six months ended June 30, 2019 and 2018, the Company had total current and deferred income tax expense as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2019	2018	2019	2018
Current income tax expense	\$ 134	\$ 3,698	\$ 2,899	\$ 7,512
Deferred income tax expense (income), net	(1,667)	(2,006)	(2,710)	(2,037)
Total current and deferred income tax expense	\$ (1,533)	\$ 1,692	\$ 189	\$ 5,475

The Company calculates an estimated average annual effective tax rate for each of the jurisdictions in which it operates. For the three months ended June 30, 2019 and 2018, the Company had effective tax rates of (6.9)% and 11.3%, respectively. For the six months ended June 30, 2019 and 2018, the Company had effective tax rates of 0.6% and 7.8%, respectively.

DEFERRED TAX ASSETS

As at June 30, 2019 and December 31, 2018, the Company had deferred tax assets as follows:

<i>(unaudited in thousands of US Dollars)</i>	Payroll and related taxes payable	Total deferred tax assets
Balance as at December 31, 2018	\$ 1,157	\$ 1,157
Charge (credit) to profit or loss	—	—
Balance as at June 30, 2019	\$ 1,157	\$ 1,157

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 June 30, 2019, the Company had Brazilian tax losses of approximately \$493,107 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 subject to change. Accordingly, the Company's ability to realize deferred income tax assets could significantly affect net income or cash flows in future periods.

DEFERRED TAX LIABILITIES

As at June 30, 2019 and December 31, 2018, the Company had changes in deferred tax liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	Property, plant and equipment	Inventories	Mineral properties	Total deferred tax liabilities
Balance as at December 31, 2018	\$ 15,709	\$ 2,056	\$ (2,804)	\$ 14,961
Charge/(credit) to profit or loss	(859)	(354)	(2,002)	(3,215)
Balance as at June 30, 2019	\$ 14,850	\$ 1,702	\$ (4,806)	\$ 11,746

19. 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 June 30, 2019, 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 June 30, 2019, the Company has currently accrued \$2,385 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.

20. 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 (i) Itafos Paris Hills, (ii) Itafos Farim, (iii) Itafos Santana, (iv) Itafos Mantaro and (v) Itafos Araxá. The Corporate segment is comprised of support, administrative and financing activities.

The Company's segment reporting is consistent with its internal reporting to its chief operating decision maker ("CODM"). The Company's CODM role is comprised of its management team. The CODM considers the Company's segment reporting in its decision making, planning, cash flow management and other management activities.

For the three months ended June 30, 2019 and 2018

For the three months ended June 30, 2019, the Company had net income (loss) by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Revenues, net	\$	91,757	\$	11,315	\$	—	\$	—	\$ 103,072
Cost of goods sold		92,396		17,626		—		—	110,022
	\$	(639)	\$	(6,311)	\$	—	\$	—	\$ (6,950)
Operating expenses									
Selling, general and administrative expenses		976		876		15		5,262	7,129
Operating income (loss)	\$	(1,615)	\$	(7,187)	\$	(15)	\$	(5,262)	\$ (14,079)
Foreign exchange loss		168		(1,347)		192		29	(958)
Other Income (expense), net		255		(2,734)		—		7	(2,472)
Finance income		1		(28)		1		25	(1)
Finance expense		(86)		(81)		43		(5,496)	(5,620)
Income (loss) before income taxes	\$	(1,277)	\$	(11,377)	\$	221	\$	(10,697)	\$ (23,130)
Current and deferred income tax		(1,837)		—		—		304	(1,533)
Net income (loss)	\$	560	\$	(11,377)	\$	221	\$	(11,001)	\$ (21,597)

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

<i>(unaudited in thousands of US Dollars)</i>	Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Revenues, net	\$	67,187	\$	—	\$	—	\$	—	\$ 67,187
Cost of goods sold		53,780		—		—		—	53,780
	\$	13,407	\$	—	\$	—	\$	—	\$ 13,407
Operating expenses									
Selling, general and administrative expenses		(99)		1,786		994		2,121	4,802
Operating income (loss)	\$	13,506	\$	(1,786)	\$	(994)	\$	(2,121)	\$ 8,605
Foreign exchange gain (loss)		(1)		1,062		(54)		59	1,066
Other Income (expense), net		(19)		242		(1)		13	235
Gain on fair valuation of Itafos Conda, net		—		—		—		—	—
Finance income		—		—		—		2	2
Finance expense		(179)		(175)		(65)		(3,062)	(3,481)
Gain from investment in associates		—		—		1		—	1
Income (loss) before income taxes	\$	13,307	\$	(657)	\$	(1,113)	\$	(5,109)	\$ 6,428
Current and deferred income tax		1,399		—		—		293	1,692
Net income (loss)	\$	11,908	\$	(657)	\$	(1,113)	\$	(5,402)	\$ 4,736

For the six months ended June 30, 2019 and 2018

For the six months ended June 30, 2019, the Company had net income (loss) by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Revenues, net	\$	161,062	\$	15,188	\$	—	\$	—	\$ 176,250
Cost of goods sold		154,077		29,285		—		—	183,362
	\$	6,985	\$	(14,097)	\$	—	\$	—	\$ (7,112)
Operating expenses									
Selling, general and administrative expenses		2,393		2,575		421		7,588	12,977
Operating income (loss)	\$	4,592	\$	(16,672)	\$	(421)	\$	(7,588)	\$ (20,089)
Foreign exchange loss		147		(2,014)		82		(31)	(1,816)
Other Income (expense), net		851		(2,721)		(3)		101	(1,772)
Finance income		16		—		1		60	77
Finance expense		(205)		(81)		(22)		(10,831)	(11,139)
Income (loss) before income taxes	\$	5,401	\$	(21,488)	\$	(363)	\$	(18,289)	\$ (34,739)
Current and deferred income tax		(391)		—		—		580	189
Net income (loss)	\$	5,792	\$	(21,488)	\$	(363)	\$	(18,869)	\$ (34,928)

For the six months ended June 30, 2018, the Company had net income (loss) by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Revenues, net	\$ 125,303	\$ —	\$ —	\$ —	\$ 125,303
Cost of goods sold	101,032	—	—	—	101,032
	\$ 24,271	\$ —	\$ —	\$ —	\$ 24,271
Operating expenses					
Selling, general and administrative expenses	437	3,757	1,614	7,217	13,025
Operating income (loss)	\$ 23,834	\$ (3,757)	\$ (1,614)	\$ (7,217)	\$ 11,246
Foreign exchange gain (loss)	(1)	984	(84)	138	1,037
Other Income (expense), net	34	(2)	(1)	13	44
Gain on fair valuation of Itafos Conda, net	46,902	—	—	—	46,902
Finance income	—	—	—	173	173
Finance expense	(320)	(313)	(100)	(5,044)	(5,777)
Gain from investment in associates	—	—	7,910	—	7,910
Income (loss) before income taxes	\$ 70,449	\$ (3,088)	\$ 6,111	\$ (11,937)	\$ 61,535
Current and deferred income tax	4,859	—	—	616	5,475
Net income (loss)	\$ 65,590	\$ (3,088)	\$ 6,111	\$ (12,553)	\$ 56,060

As at June 30, 2019, the Company had total assets and total liabilities by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Total assets	\$ 251,195	\$ 213,626	\$ 95,544	\$ 6,210	\$ 566,575
Total liabilities	\$ 123,320	\$ 29,074	\$ 4,781	\$ 173,074	\$ 330,249

As at December 31, 2018, the Company had total assets and total liabilities by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Total assets	\$ 268,357	\$ 211,551	\$ 89,901	\$ 6,610	\$ 576,419
Total liabilities	\$ 106,199	\$ 26,473	\$ 4,322	\$ 167,646	\$ 304,640

As at June 30, 2019 and December 31, 2018, the Company had property, plant and equipment and mineral properties by region as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2019	December 31, 2018
Brazil (South America)	\$ 185,702	\$ 189,246
US (North America)	126,284	110,242
Guinea-Bissau (Africa)	74,749	70,216
Property, plant and equipment, net and mineral properties	\$ 386,735	\$ 369,704

21. NET CHANGE IN NON-CASH WORKING CAPITAL

For the six months ended June 30, 2019 and 2018, the Company had net change in non-cash working capital as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the six months ended June 30,</i>			
	2019		2018	
Accounts receivable	\$	5,091	\$	(22,456)
Inventories, net		26,719		(2,965)
Other assets and prepaids		2,335		(15,594)
Accounts payable and accrued liabilities		3,110		27,279
Other liabilities payable through MAP offtake agreement		(12,618)		(10,685)
Other liabilities and provisions		100		147
Net change in non-cash working capital	\$	24,737	\$	(24,274)

22. 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 six months ended June 30, 2019 and 2018, the Company had key management compensation as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended June 30,</i>			<i>For the six months ended June 30,</i>		
	2019		2018	2019		2018
Management compensation and director fees	\$	822	\$	293	\$	1,115
Other benefits		16		8		24
Key management compensation	\$	838	\$	301	\$	1,139

CLF DEBT

CLF is a lender under the Facility with participation of \$31,624 of the \$165,000 principal as of the date of issuance. As at June 30, 2019 and December 31, 2018, CLF's participation in the Facility was \$28,221 and \$32,471, respectively. In addition, CLF received 527,072 of the 2,750,000 shares of the Company issued in connection with the closing of the Facility (see Notes 12 and 14).

On February 26, 2018, January 12, 2018, September 8, 2017 and August 11, 2017, the Company received \$16,842, \$13,000, \$4,500 and \$5,000, respectively of financing proceeds from CLF in the form of promissory notes. As of the closing of the Facility, the outstanding promissory notes were extinguished (see Note 12).

23. FAIR VALUE MEASUREMENT AND RISK FACTORS

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 as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs are quoted prices in active markets for similar assets or liabilities; and
- Level 3: inputs are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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. For the three and six months ended June 30, 2019 and 2018, there were no such transfers.

The fair values of cash and cash equivalents, accounts receivable, short-term investments, accounts payable and accrued liabilities to approximate their carrying values in the consolidated balance sheets given the interest receivable and payable is either close to current market rates or the instruments are short-term in nature.

Long-term debt is recorded on the consolidated balance sheets at amortized cost. The fair value of long-term debt is determined by applying a discount rate, reflecting an appropriate credit spread considering the Company's credit rating, to future related cash flows. As such, long-term debt is classified within Level 2 of the fair value hierarchy. As at June 30, 2019 and December 31, 2018, the Company's long-term debt was stated at an amortized cost of \$173,507 and \$163,788, respectively and had a fair value of \$165,037 and \$163,065, respectively.

RISK FACTORS

The Company's activities are subject to various risk factors that could impact the Company's financial assets, liabilities or future cash flows including, but not limited to, market risk, credit risk and liquidity risk. Such risk factors, as well as the Company's capital management objectives, are described below.

Market Risk

Currency Risk

Currency fluctuations may affect the Company's capital and/or operating costs. The Company is exposed to currency risks stemming from the fact that the Company and its subsidiaries carry on business in the international marketplace. The appreciation of foreign currencies against the US Dollar could adversely affect the Company's earnings and financial condition. In particular, the Company is exposed to increased currency risks because a significant portion of Itafos Arraias' sales and expenses are transacted in Brazilian Reals and a portion of Itafos Conda's sales and expenses are transacted in Canadian Dollars. These sales and expenses are subject to fluctuations in the exchange rates between the Brazilian Real and the Canadian Dollar against the US Dollar.

For the three and six months ended June 30, 2019 and 2018, the Company had foreign exchange loss and cumulative translation adjustment as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2019	2018	2019	2018
Brazilian Real weakening against US Dollar (%)	(1.9)	14.7	(0.8)	14.6
Canadian Dollar weakening (strengthening) against US Dollar (%)	(2.1)	2.1	(4.2)	4.7
Foreign exchange loss	\$ (958)	\$ 1,066	\$ (1,816)	\$ 1,037
Cumulative translation adjustment	\$ (379)	\$ (1,319)	\$ 1,005	\$ (1,989)

Commodity Price Risk

The Company's operational and financial performance will be dependent upon commodity prices including fertilizers, minerals, grains, raw materials and energy. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control including, but not limited to, supply, demand, interest rates, inflation rates, exchange rates and trade tariffs. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The commodity prices of fertilizers, minerals and grains directly affect the Company's revenues. The commodity prices of raw materials and energy directly affect the Company's cost of goods sold. There can be no assurance that the commodity prices affecting revenues will be correlated with the commodity prices

affecting cost of goods sold. Furthermore, the Company may not, or may not be able to, utilize derivatives to hedge its exposure to commodity price volatility. In addition, fluctuations in commodity prices could adversely affect the Company's mineral resource and mineral reserve estimates, including those stipulated in technical reports.

Interest Rate Risk

As at June 30, 2019 and December 31, 2018, the Company's long-term debt was largely comprised of the Facility, which considers fixed interest rates (see Note 12).

Credit Risk

The Company is exposed to the credit of certain third parties, which may fail to fulfill performance obligations to the Company. In such circumstances, the carrying amount on the Company's balance sheet could be impacted. Some of the Company's customers require access to credit to purchase the Company's products. A lack of available credit to customers in one or more countries, due to global or local economic conditions or for other reasons, could adversely affect demand for the Company's products.

As at June 30, 2019 and December 31, 2018, the Company had accounts receivable of \$30,815 and \$35,907, respectively. As at June 30, 2019, Itafos Conda had approximately 76% of total accounts receivable from three customers. As at December 31, 2018, Itafos Conda had approximately 86% of total accounts receivable from four customers. As at June 30, 2019, Itafos Arraias had approximately 94% of total accounts receivable from three customers. As at December 31, 2018, Itafos Arraias had approximately 68% of total accounts receivable from three customers.

Management reviews the aging of accounts receivables and, where necessary, reduces the carrying value to provide for possible losses. As at June 30, 2019 and December 31, 2018, management did not anticipate material credit losses. Accordingly, the Company did not record any credit loss provisions.

Liquidity Risk

To achieve its mission and execute its strategy, the Company will continue to require capital to support its strategic initiatives and development objectives. In addition to cash flows from Itafos Conda and net proceeds from the Facility, the Company intends to raise additional capital in 2019 through a combination of equity and debt financings. The Company has a demonstrated track record of securing financing and a strong capital base. In July 2019, the Company received commitment from CLF to continue to provide financial support as required to meet its liabilities as and when they become due to ensure business continuity and ongoing operations over the next 15 months (see Note 2).

Failure to obtain sufficient financing could result in a delay or indefinite postponement of the Company's strategic initiatives and development objectives. Additional financing may not be available when needed, or if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing members. Failure to raise capital when needed could have a material adverse effect on the Company's business, financial condition and results of operations.

Capital Management

The Company's objectives when managing capital are to maintain a flexible capital structure with moderate levels of debt and to invest capital at attractive rates of return into brownfield and greenfield development projects and acquisitions of new businesses. The Company manages its capital structure and makes adjustments as necessary in light of general economic conditions, the risk characteristics of its businesses and projects and working capital requirements.
