



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

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

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents (Notes 12 and 24)	\$ 21,780	\$ 9,919
Accounts receivable	21,782	35,907
Short-term investments (Note 5)	—	2,106
Inventories, net (Note 6)	114,033	133,840
Other current assets (Note 9)	7,646	12,704
Total current assets	\$ 165,241	\$ 194,476
Long-term inventories, net (Note 6)	1,556	—
Property, plant and equipment, net (Note 7)	256,590	245,418
Mineral properties, net (Note 8)	132,855	124,286
Deferred tax assets (Note 18)	1,157	1,157
Other long-term assets (Note 9)	11,231	11,082
Total non-current assets	\$ 403,389	\$ 381,943
Total assets	\$ 568,630	\$ 576,419
Liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 80,382	\$ 75,601
Provisions (Note 11)	2,301	494
Current debt (Note 12)	1,594	325
Current debentures (Note 12)	980	942
Contract liabilities	1,537	2,067
Other current liabilities (Note 13)	2,927	—
Total current liabilities	\$ 89,721	\$ 79,429
Long-term debt (Note 12)	189,364	160,258
Long-term debentures (Note 12)	1,761	2,588
Deferred tax liabilities (Note 18)	9,768	14,961
Long-term provisions (Note 11)	44,522	39,148
Other long-term liabilities (Note 13)	17,815	8,256
Total long-term liabilities	\$ 263,230	\$ 225,211
Total liabilities	\$ 352,951	\$ 304,640
Equity		
Share capital (Note 14)	514,132	515,029
Contributed surplus	246,626	246,626
Cumulative translation adjustment reserve	4,660	3,655
Deficit	(558,801)	(502,593)
Equity attributable to shareholders of the parent	\$ 206,617	\$ 262,717
Non-controlling interest (Notes 2 and 14)	9,062	9,062
Total equity	\$ 215,679	\$ 271,779
Total liabilities and equity	\$ 568,630	\$ 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 “Mhamed Ibnabdeljalil”
MHAMED IBNABDELJALIL
Director

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

<i>(unaudited in thousands of US Dollars except for per share amounts)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2019	2018	2019	2018
Revenues, net (Note 15)	\$ 81,749	\$ 76,282	\$ 257,999	\$ 201,585
Cost of goods sold	88,165	75,606	271,527	176,638
	\$ (6,416)	\$ 676	\$ (13,528)	\$ 24,947
Expenses				
Selling, general and administrative expenses	7,927	3,223	20,904	16,248
Operating income (loss)	\$ (14,343)	\$ (2,547)	\$ (34,432)	\$ 8,699
Foreign exchange gain (loss) (Notes 16 and 23)	303	(748)	(1,513)	289
Other income (expense)	(741)	(835)	(2,513)	(791)
Gain on fair valuation of Itafos Conda, net (Note 4)	—	—	—	46,902
Finance expense, net (Note 17)	(8,349)	(5,601)	(19,411)	(11,205)
Gain from investments in associates (Note 4)	—	—	—	7,910
Income (loss) before income taxes	\$ (23,130)	\$ (9,731)	\$ (57,869)	\$ 51,804
Current and deferred income tax expense (recovery) (Note 18)	(2,352)	4,659	(2,163)	10,134
Net income (loss) attributable to shareholders of the parent	\$ (20,778)	\$ (14,390)	\$ (55,706)	\$ 41,670
Net loss attributable to non-controlling interest	—	—	—	—
Net income (loss)	\$ (20,778)	\$ (14,390)	\$ (55,706)	\$ 41,670
Basic income (loss) per share (Note 14)	\$ (0.15)	\$ (0.10)	\$ (0.40)	\$ 0.30
Fully diluted income (loss) per share (Note 14)	\$ (0.15)	\$ (0.10)	\$ (0.40)	\$ 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, 2019 AND 2018**

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2019	2018	2019	2018
Net income (loss)	\$ (20,778)	\$ (14,390)	\$ (55,706)	\$ 41,670
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment <i>(Note 23)</i>	—	1,405	1,005	(584)
Total other comprehensive income (loss) attributable to shareholders of the parent	\$ (20,778)	\$ (12,985)	\$ (54,701)	\$ 41,086
Other comprehensive income (loss) attributable to non-controlling interest	—	—	—	—
Total other comprehensive income (loss)	\$ (20,778)	\$ (12,985)	\$ (54,701)	\$ 41,086

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, 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)	—	—	—	—	(55,706)	(55,706)	—	(55,706)
Cumulative translation adjustment (Note 23)	—	—	—	1,005	—	1,005	—	1,005
Issuance of shares under RSU Plan (Note 13)	140,331	131	—	—	—	131	—	131
Repurchase of shares through the NCIB (Note 14)	(1,771,500)	(1,028)	—	—	—	(1,028)	—	(1,028)
Balance as at September 30, 2019	140,439,132	\$ 514,132	\$ 246,626	\$ 4,660	\$ (558,801)	\$ 206,617	\$ 9,062	\$ 215,679
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)	—	—	—	—	41,670	41,670	—	41,670
Cumulative translation adjustment (Note 23)	—	—	—	(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 debt issuance (Note 12)	2,750,000	5,132	—	—	—	5,132	—	5,132
Balance as at September 30, 2018	142,070,301	\$ 515,029	\$ 246,626	\$ 7,871	\$ (347,436)	\$ 422,090	\$ 9,062	\$ 431,152

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, 2019 AND 2018**

<i>(unaudited in thousands of US Dollars)</i>	<i>For the nine months ended September 30,</i>	
	2019	2018
Operating activities		
Net income (loss)	\$ (55,706)	\$ 41,670
Adjustments for the following items:		
Depreciation and depletion	36,267	16,083
Cash settlement of share-based payments <i>(Note 13)</i>	(12)	(140)
Share-based payment (recovery) expense <i>(Note 13)</i>	912	308
Current and deferred income tax expense (recovery) <i>(Note 18)</i>	(2,163)	10,134
Gain from investment in associates <i>(Note 4)</i>	—	(7,910)
Gain on fair valuation of Itafos Conda, net <i>(Note 4)</i>	—	(46,902)
Unrealized foreign exchange loss	(728)	(804)
Finance expense, net <i>(Note 17)</i>	19,411	11,205
Net change in non-cash working capital <i>(Note 21)</i>	38,012	(40,933)
Cash flows from operating activities	\$ 35,993	\$ (17,289)
Investing activities		
Addition of property, plant and equipment and mineral properties <i>(Notes 7 and 8)</i>	\$ (30,813)	\$ (43,445)
Short-term investments <i>(Note 5)</i>	—	(2,091)
Maturity of short-term investments <i>(Note 5)</i>	2,106	—
Acquisition of Itafos Conda <i>(Note 4)</i>	—	(66,500)
Cash received from Itafos Conda at acquisition <i>(Note 4)</i>	—	725
Acquisition of GBL <i>(Note 4)</i>	—	(25,539)
Cash received from GBL at acquisition <i>(Note 4)</i>	—	2,898
Issuance of note to GBL <i>(Notes 4 and 9)</i>	—	(4,500)
Cash flows from investing activities	\$ (28,707)	\$ (138,452)
Financing activities		
Proceeds from debt <i>(Note 12)</i>	\$ 15,000	\$ 132,671
Repayment of debt <i>(Note 12)</i>	—	(4,969)
Repayment of debentures <i>(Note 12)</i>	(863)	—
Repayment of principal portion of lease liabilities <i>(Note 13)</i>	(2,178)	—
Payment of interest expense <i>(Note 12)</i>	(6,415)	(6,240)
Payment of financing costs related to the Facility	—	(2,079)
Repurchase of shares through the NCIB <i>(Note 14)</i>	(1,028)	—
Cash flows from financing activities	\$ 4,516	\$ 119,383
Effect of foreign exchange of non-US Dollar denominated cash	\$ 59	\$ (72)
Increase (decrease) in cash	11,861	(36,430)
Cash, beginning of period	9,919	63,677
Cash, end of period	\$ 21,780	\$ 27,247

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 NINE MONTHS ENDED SEPTEMBER 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”), MAP with micronutrients (“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 Farim – a high-grade phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Paris Hills – a high-grade phosphate mine project located in Idaho, US;
- 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”). CLF is an affiliate of Castlake L.P., a global private investment firm (see Note 22). CLF is a Delaware limited liability company with offices in Minnesota, US. As at September 30, 2019, CLF beneficially owned and controlled 85,559,293 shares of the Company, representing approximately 60.9% 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 Uglan House, Grand Cayman, Cayman Islands KY1-1104.

2. BASIS OF PREPARATION AND PRESENTATION

STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) are based on 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. The Interim Financial Statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting. These Interim Financial Statements should be read in conjunction with the Company’s audited 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 Interim Financial Statements were authorized for issuance by the Board of Directors of the Company on November 29, 2019.

BASIS OF PREPARATION AND PRESENTATION

These Interim Financial Statements have been prepared and presented under the historical cost convention and on a going concern basis. In November 2019, the Company received a commitment from CLF to invest up to an incremental \$36,000, if required, for the Company to meet its liabilities as and when they become due to ensure business continuity and ongoing operations through December 31, 2020. The investment amount may be reduced by any amount of new capital raised by the Company from investors other than CLF.

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

- For the three months ended September 30, 2018, the Company included \$105, \$396 and \$391 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 nine months ended September 30, 2018, the Company included \$236, \$1,127 and \$1,205 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 nine months ended September 30, 2018, the Company increased cost of goods sold by \$4,240 and \$8,645, respectively and finance expense by \$52 and \$329, respectively (see Note 20); and
- For the nine months ended September 30, 2018, the Company recognized a gain on fair valuation of Itafos Conda of \$0 and \$46,902, respectively (see Notes 4 and 20).

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 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, 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 September 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 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 (see Note 3).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, the accounting policies adopted in the preparation of these Interim Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 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. Rather, on January 1, 2019, the Company recognized a one-time adjustment

to increase the retained deficit by \$502. The adjustment reflects depreciation and interest charges on leases in excess of previously recognized rental expenses on leases classified as operating under IAS 17 Leases, which was superseded by IFRS 16.

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 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>(unaudited in thousands of US Dollars)</i>	<i>Final January 12, 2018</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>	<i>February 27, 2018</i>
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

Prior to the GBL Arrangement, the Company accounted for its investment in GBL as an investment in associates using the equity method. Following completion of GBL Arrangement, the Company consolidated GBL, recorded a gain from investment in associates of \$7,910 and eliminated \$9,816 of notes payable by GBL to the Company (see Note 9).

5. SHORT-TERM INVESTMENTS

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

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Finished goods	\$ 27,112	\$ 28,043
Work in process	7,333	5,686
Raw materials	63,466	86,165
Spare parts	20,248	17,316
Net realizable value adjustments	(2,570)	(3,370)
Inventories, net	\$ 115,589	\$ 133,840
Less: current portion	(114,033)	(133,840)
Long-term inventories, net	\$ 1,556	\$ -

As at September 30, 2019, net realizable value adjustments of \$(2,570) were comprised of \$(1,367) and \$(1,203) 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.

As at September 30, 2019, the Company had \$1,556 non-current inventories related to raw materials at Itafos Arraias.

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

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Finished goods	\$ 27,112	\$ 28,043
Work in process	7,333	5,686
Raw materials	61,910	86,165
Spare parts	20,248	17,316
Net realizable value adjustments	(2,570)	(3,370)
Inventories, net	\$ 114,033	\$ 133,840

7. PROPERTY, PLANT AND EQUIPMENT

As at September 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 (Note 3)	—	227	16,019	—	16,246
Additions	—	6,685	6,278	13,883	26,846
Disposals/transfers	(161)	—	502	(649)	(308)
Balance as at September 30, 2019	\$ 24,699	\$ 152,587	\$ 160,070	\$ 38,079	\$ 375,435
Accumulated depreciation					
Balance as at December 31, 2018	\$ —	\$ 27,286	\$ 59,947	\$ —	\$ 87,233
Initial application of IFRS 16 (Note 3)	—	—	3,076	—	3,076
Additions	—	2,008	26,674	—	28,682
Disposals/transfers	—	—	(146)	—	(146)
Balance as at September 30, 2019	\$ —	\$ 29,294	\$ 89,551	\$ —	\$ 118,845
Property, plant and equipment, net					
As at December 31, 2018	\$ 24,860	\$ 118,389	\$ 77,324	\$ 24,845	\$ 245,418
As at September 30, 2019	\$ 24,699	\$ 123,293	\$ 70,519	\$ 38,079	\$ 256,590

As at September 30, 2019 and December 31, 2018, the balances of property, plant and equipment include capitalized interest of \$8,249 and \$6,850, respectively.

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

The Company periodically updates its business plan. Such updates include the Company's latest view with respect to market conditions. Changes in the Company's business plan could give rise to potential impairment indicators in future periods. Subsequent to September 30, 2019, the Company announced the decision to idle Itafos Arraias (see Note 24). The carrying value of Itafos Arraias is the Company's segment that is most sensitive to changes in market conditions. As at September 30, 2019 and December 31, 2018, the carrying value of Itafos Arraias was \$172,946 and \$171,973, respectively.

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 September 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		—		976	976
Disposals/expirations		—		(146)	(146)
Balance as at September 30, 2019	\$	227	\$	16,849	\$ 17,076
Accumulated depreciation					
As at January 1, 2019 (initial application of IFRS 16)	\$	—	\$	3,076	\$ 3,076
Additions		71		3,295	3,366
Disposals/expirations		—		(146)	(146)
Balance as at September 30, 2019	\$	71	\$	6,225	\$ 6,296
Right-of-use assets, net					
Balance as at September 30, 2019	\$	156	\$	10,624	\$ 10,780

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 nine months ended September 30, 2019, the Company had \$4,547 and \$14,888, 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 nine months ended September 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 September 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		7,991		7,535	—	15,526
Depletion		—		—	(7,990)	(7,990)
Foreign currency translation adjustments		—		1,033	—	1,033
Balance as at September 30, 2019	\$	53,389	\$	95,205	\$ (15,739)	\$ 132,855

Additions to mineral properties 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 September 30, 2019 and December 31, 2018, the Company had other assets as follows:

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Tax credits	\$ 12,797	\$ 13,552
Advances to suppliers	1,354	1,707
Other receivables	903	3,106
Deposits	—	1,500
Other	3,823	3,921
Other assets	\$ 18,877	\$ 23,786
Less: current portion	(7,646)	(12,704)
Other non-current assets	\$ 11,231	\$ 11,082

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

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Tax credits	\$ 2,337	\$ 3,146
Advances to suppliers	1,354	1,707
Other receivables	903	3,106
Deposits	—	1,500
Other	3,052	3,245
Other current assets	\$ 7,646	\$ 12,704

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

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Payroll and related taxes payable	\$ 5,827	\$ 6,938
Taxes payable	17,196	13,885
Trade payables	41,011	25,960
Accrued liabilities and other	12,403	12,519
Rebates	2,335	1,506
Other payables	1,610	2,175
Accrued liabilities payable through MAP offtake agreement	—	12,618
Accounts payable and accrued liabilities	\$ 80,382	\$ 75,601

11. PROVISIONS

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

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Legal contingencies	\$ 2,301	\$ 494
Environmental and asset retirement obligations	44,522	39,148
Provisions	\$ 46,823	\$ 39,642
Less: current portion	(2,301)	(494)
Long-term provisions	\$ 44,522	\$ 39,148

For the nine months ended September 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	4,616
Accretion	758
Balance as at September 30, 2019	\$ 44,522

12. DEBT AND DEBENTURES

DEBT

The Facility

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 September 30, 2019, \$10,832 of in-kind interest was capitalized into principal of the Facility. As at September 30, 2019, the Company accrued cash and in-kind interest related to the Facility in the amounts of \$776 and \$337, respectively.

The Company incurred financing costs of \$5,829 related to the Facility, which were capitalized. For the nine months ended September 30, 2019 and 2018, the Company amortized \$3,397 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. In June 2019, the Company executed the second amendment to the Facility, which delayed the testing of the restricted financial covenants commencing June 30, 2019 to September 30, 2019.

In September 2019, the Company executed the third amendment to the Facility, which permitted the Company to incur up to \$70,000 in convertible unsecured subordinated debt to fund its general working capital and capital expenditure needs.

Also in September 2019, the Company executed the fourth amendment to the Facility (the “Fourth Amendment”). The key terms of the Fourth Amendment are as follows:

- sculpted the restrictive financial covenants considering the Company’s business plan, including certain new financial covenants related to Itafos Arraias’ EBITDA and capex;
- granted additional flexibility to raise working capital financings at Itafos Conda and Itafos Arraias, subject to certain terms and conditions;
- required a capital raise by December 31, 2019 of the lesser of \$40,000 or 24.9% of Itafos’ market capitalization (the “Required Capital Raise”), inclusive of the \$15,000 convertible unsecured subordinated debt funded by CLF on September 11, 2019 (see Note 24);
- increased cash interest by 1% per annum for each quarter that the Company’s Consolidated Leverage Ratio is equal to or greater than 4.00:1.00 at the end of such quarter beginning with the quarter ended September 30, 2019 and 2% per annum until the Required Capital Raise is completed beginning October 31, 2019 (see Note 24); and
- increased the principal balance owed under the Facility by \$2,200;
- reduced minimum cash requirements upon closing working capital financings at Itafos Conda and/or Itafos Arraias (see Note 24); and
- considered other terms and conditions customary for similar amendments.

As at September 30, 2019, the changes in the Company’s debt as a result of the Fourth Amendment were recorded as a debt modification. The Company discounted the cash flows of the Facility considering the Fourth Amendment at the original effective interest rate, resulting in a loss on debt modification of the Facility of \$2,569, which was recorded as finance expense.

As at September 30, 2019, the Company’s Consolidated Leverage Ratio exceeded 4.00:1.00. As a result, the cash interest under the Facility increased by 1% per annum for the three months ended September 30, 2019.

The Facility includes certain restrictive financial covenants that are measured as at the end of each fiscal quarter. As at September 30, 2019, the restrictive financial covenants were as follows:

- Consolidated Debt to Capital Ratio not to exceed 1.00:1.00;
- minimum trailing twelve months total adjusted EBITDA (excluding Itafos Farim adjusted EBITDA) of \$9,000; and
- minimum trailing twelve months Itafos Arraias adjusted EBITDA of \$(28,000).

As at September 30, 2019, the Company was in compliance with all restrictive financial covenants related to the Facility. In addition to the restrictive financial covenants, the Facility has other compliance requirements including, but not limited to, a requirement to maintain minimum cash throughout the term of the Facility (see Note 24).

CLF Promissory Note

On September 11, 2019, the Company borrowed \$15,000 from CLF in the form of convertible unsecured subordinated debt. The debt is evidenced by an unsecured and subordinated promissory note issued by the Company in favor of CLF in the principal amount of \$15,000 (the “CLF Promissory Note”). The CLF Promissory Note is subordinate to the Facility and subject to the terms of subordination incorporated thereunder. The CLF Promissory Note has an interest rate of 15% per year and is payable on demand no earlier than six months after the date on which the Facility is paid in full. The interest is added to and increases the outstanding principal balance of the CLF Promissory Note on a quarterly basis. The outstanding principal and interest under the CLF Promissory Note will automatically convert into shares of the Company

in connection with any future equity issuances through which the Company raises \$7,500 or more in cash (an “Equity Issuance”).

Upon an Equity Issuance, the outstanding principal amount of the CLF Promissory Note will be converted into the number of shares of the Company at the conversion price equal to the greater of (a) the volume-weighted average price of each share received by the Company in connection with such Equity Issuance and (b) the market price of the shares of the Company as of the date of the CLF Promissory Note. Also upon an Equity Issuance, the accrued and unpaid interest owing on the CLF Promissory Note as of the date of such Equity Issuance will be converted into the number of shares of the Company at the conversion price equal to the greater of (a) the volume-weighted average price of each share received by the Company in connection with such Equity Issuance and (b) the market price of the shares of the Company as of the date of such Equity Issuance.

Equipment Financings

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.

Changes in Debt

For the period December 31, 2018 through September 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
Issuance of CLF Promissory Note	—	15,000
Interest accrual of CLF Promissory Note	—	117
Capitalization of in-kind interest of the Facility	—	6,415
Capitalization of amendment fee of the Facility	—	2,198
Payment of cash interest of the Facility	(6,415)	—
Interest accrual of the Facility	6,866	—
Change in accrued in-kind interest of the Facility	—	12
Amortization of financing costs of the Facility, including loss on debt modification	—	3,397
Notes payable related to equipment purchases at Itafos Conda	818	1,967
Balance as at September 30, 2019	\$ 1,594	\$ 189,364

DEBENTURES

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

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Brazilian debentures	\$ 1,155	\$ 1,391
Canadian debentures issued to CLF	548	496
Canadian debentures issued to Banco Modal S.A.	1,038	1,643
Debentures	\$ 2,741	3,530
Less: current portion	(980)	(942)
Long-term portion of debentures	\$ 1,761	\$ 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 September 30, 2019 and December 31, 2018, the Company had other long-term liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Taxes payable	\$ 7,295	\$ 7,280
Other equity warrants	—	85
Share-based payments	1,633	875
Lease liabilities	11,803	—
Other	11	16
Other liabilities	\$ 20,742	\$ 8,256
Less: current portion	(2,927)	—
Other long-term liabilities	\$ 17,815	\$ 8,256

As at September 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 September 30, 2019 and December 31, 2018, share-based payments were related to RSUs granted by the Company under its 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 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 September 30, 2019 and December 31, 2018, the Company had other current liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	September 30, 2019	December 31, 2018
Lease liabilities	\$ 2,927	\$ —
Other current liabilities	\$ 2,927	\$ —

As at September 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>	September 30, 2019
Within 1 year	\$ 3,410
Between 2 and 3 years	5,224
Between 4 and 5 years	4,402
After 5 years	1,932
Total contractual payments	\$ 14,968

For the period December 31, 2018 through September 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	876	—
Lease payments	(2,086)	(1,604)
Balance as at September 30, 2019	\$ 2,927	\$ 8,876

For the nine months ended September 30, 2019 and 2018, the Company granted 2,053,354 and 1,367,303 RSUs, respectively under the Company's RSU Plan. For the nine months ended September 30, 2019, the Company cash settled 17,550 RSUs for \$12, which were related to 2017 grants. For the three and nine months ended September 30, 2019 the Company had share-based payment expense of \$792 and \$912, respectively. For the three and nine months ended September 30, 2018 the Company had share-based payment (income) expense of \$(338) and \$308, respectively.

For the period December 31, 2018 through September 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	(17,550)
Vested	(152,078)
Forfeited	(67,785)
Balance as at September 30, 2019	4,628,725

During Q1 2019, 376,853 RSUs related to 2017 grants vested, net of the cash settled 13,500 RSUs. During Q3 2019, the Company issued 140,331 shares (net of 11,747 shares withheld to pay applicable taxes) and cash settled 4,050 RSUs for \$3. The Company expects to issue shares in respect of the remaining 220,725 RSUs in Q1 2020.

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 September 30, 2019 and December 31, 2018, the Company had 140,439,132 and 142,070,301 and shares issued and outstanding, respectively.

During Q3 2019, the Company issued 140,331 shares under the RSU Plan (see Note 13).

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 nine months ended September 30, 2019, the Company repurchased 1,771,500 shares through the NCIB for an aggregate amount of \$1,028. Also during the nine months ended September 30, 2019, the Company 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 nine months ended September 30, 2019 and 2018, the Company had weighted-average number of shares and dilutive share equivalents as follows:

	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2019	2018	2019	2018
Weighted average number of shares	140,301,267	142,070,301	140,852,289	138,087,699
Weighted average number of potentially dilutive RSUs	2,502,375	1,224,644	2,686,274	1,645,666
Diluted weighted average number of shares	142,803,642	143,294,945	143,538,563	139,733,365

For the three and nine months ended September 30, 2019 the Company had net losses. Accordingly, all dilutive RSUs 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 September 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 nine months ended September 30, 2019 and 2018, Itafos Conda had revenues as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2019	2018	2019	2018
MAP	\$ 38,948	\$ 28,809	\$ 121,501	\$ 96,051
MAP+	—	—	—	—
SPA, net	26,869	26,685	94,584	79,588
MGA, net	371	263	1,083	263
APP, net	2,260	2,570	12,342	7,728
Revenues, net	\$ 68,448	\$ 58,327	\$ 229,510	\$ 183,630

For the three months ended September 30, 2019 and 2018, Itafos Conda recorded approximately 70% of its total revenues from three customers. For the nine months ended September 30, 2019 and 2018 Itafos Conda recorded approximately 70% of its total revenues from three customers.

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

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2019	2018	2019	2018
SSP, net	\$ 5,591	\$ 14,484	\$ 10,055	\$ 14,484
SSP+, net	6,073	—	14,249	—
PK compounds	49	—	49	—
Excess sulfuric acid, net	1,588	3,471	4,136	3,471
Revenues, net	\$ 13,301	\$ 17,955	\$ 28,489	\$ 17,955

For the three and nine months ended September 30, 2019, Itafos Arraias recorded approximately 48% and 50%, 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 September 30, 2019 and 2018, the Company recognized a foreign exchange gain (loss) of \$303 and \$(748), respectively. For the nine months ended September 30, 2019 and 2018, the Company recognized a foreign exchange gain (loss) of \$(1,513) and \$289, 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 nine months ended September 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 September 30,</i>		<i>For the nine months ended September 30,</i>	
	2019	2018	2019	2018
Interest expense	\$ 8,930	\$ 5,603	\$ 20,910	\$ 13,332
Capitalized interest	(558)	—	(1,399)	(1,953)
Interest income	(23)	(2)	(100)	(174)
Finance expense, net	\$ 8,349	\$ 5,601	\$ 19,411	\$ 11,205

For the three months ended September 30, 2019 and 2018, interest expense includes \$319 and \$0 related to lease liabilities, respectively. For the nine months ended September 30, 2019 and 2018, interest expense includes \$876 and \$0 related to lease liabilities, respectively.

18. INCOME TAXES

For the three and nine months ended September 30, 2019 and 2018, the Company had total current and deferred income tax expense (recovery) as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2019	2018	2019	2018
Current income tax expense (recovery)	\$ (620)	\$ 2,807	\$ 2,279	\$ 10,319
Deferred income tax expense (recovery)	(1,732)	1,852	(4,442)	(185)
Total current and deferred income tax expense (recovery)	\$ (2,352)	\$ 4,659	\$ (2,163)	\$ 10,134

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, 2019 and 2018, the Company had effective tax rates of 10.2% and (47.9)%,

respectively. For the nine months ended September 30, 2019 and 2018, the Company had effective tax rates of 3.7% and 19.6%, respectively.

DEFERRED TAX ASSETS

As at September 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 September 30, 2019	\$	1,157	\$	1,157

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

As at September 30, 2019, the Company had Brazilian tax losses of approximately \$453,990 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 September 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		(1,785)		(1,242)		(2,166)		(5,193)
Balance as at September 30, 2019	\$	13,924	\$	814	\$	(4,970)	\$	9,768

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 September 30, 2019, the Company does not believe that the outcome of any of the matters, individually or in aggregate, not recorded in these Interim Financial Statements would have a material adverse effect. As at September 30, 2019, the Company has currently accrued \$2,301 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 Farim (ii), Itafos Paris Hills, (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 September 30, 2019 and 2018

For the three months ended September 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	\$	68,448	\$	13,301	\$	—	\$	—	\$ 81,749
Cost of goods sold		71,146		17,019		—		—	88,165
	\$	(2,698)	\$	(3,718)	\$	—	\$	—	\$ (6,416)
Operating expenses									
Selling, general and administrative expenses		1,212		2,109		2,587		2,019	7,927
Operating income (loss)	\$	(3,910)	\$	(5,827)	\$	(2,587)	\$	(2,019)	\$ (14,343)
Foreign exchange gain (loss)		(22)		838		(495)		(18)	303
Other Income (expense), net		(1,141)		400		—		—	(741)
Finance income		—		—		—		23	23
Finance expense		(25)		18		(17)		(8,348)	(8,372)
Income (loss) before income taxes	\$	(5,098)	\$	(4,571)	\$	(3,099)	\$	(10,362)	\$ (23,130)
Current and deferred income tax expense (recovery)		(2,620)		—		—		268	(2,352)
Net income (loss)	\$	(2,478)	\$	(4,571)	\$	(3,099)	\$	(10,630)	\$ (20,778)

For the three months ended September 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	\$	58,327	\$	17,955	\$	—	\$	76,282
Cost of goods sold		49,953		25,653		—		75,606
	\$	8,374	\$	(7,698)	\$	—	\$	676
Operating expenses								
Selling, general and administrative expenses		137		1,380		818		888
Operating income (loss)	\$	8,237	\$	(9,078)	\$	(818)	\$	(888)
Foreign exchange loss		(2)		(546)		(154)		(46)
Other Income (expense), net		12		(852)		—		5
Gain on fair valuation of Itafos Conda, net		—		—		—		—
Finance income		—		—		1		1
Finance expense		(197)		(136)		2		(5,272)
Gain from investment in associates		—		—		—		—
Income (loss) before income taxes	\$	8,050	\$	(10,612)	\$	(969)	\$	(6,200)
Current and deferred income tax expense (recovery)		4,391		—		—		268
Net income (loss)	\$	3,659	\$	(10,612)	\$	(969)	\$	(6,468)

For the nine months ended September 30, 2019 and 2018

For the nine months ended September 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	\$	229,510	\$	28,489	\$	—	\$	257,999
Cost of goods sold		225,223		46,304		—		271,527
	\$	4,287	\$	(17,815)	\$	—	\$	(13,528)
Operating expenses								
Selling, general and administrative expenses		3,605		4,684		3,008		9,607
Operating income (loss)	\$	682	\$	(22,499)	\$	(3,008)	\$	(9,607)
Foreign exchange gain (loss)		125		(1,176)		(413)		(49)
Other Income (expense), net		(290)		(2,321)		(3)		101
Finance income		16		—		1		83
Finance expense		(230)		(63)		(39)		(19,179)
Income (loss) before income taxes	\$	303	\$	(26,059)	\$	(3,462)	\$	(28,651)
Current and deferred income tax expense (recovery)		(3,011)		—		—		848
Net income (loss)	\$	3,314	\$	(26,059)	\$	(3,462)	\$	(29,499)

For the nine months ended September 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	\$ 183,630	\$ 17,955	\$ —	\$ —	\$ 201,585
Cost of goods sold	150,985	25,653	—	—	176,638
	\$ 32,645	\$ (7,698)	\$ —	\$ —	\$ 24,947
Operating expenses					
Selling, general and administrative expenses	574	5,137	2,432	8,105	16,248
Operating income (loss)	\$ 32,071	\$ (12,835)	\$ (2,432)	\$ (8,105)	\$ 8,699
Foreign exchange gain (loss)	(3)	438	(238)	92	289
Other Income (expense), net	46	(854)	(1)	18	(791)
Gain on fair valuation of Itafos Conda, net	46,902	—	—	—	46,902
Finance income	—	—	1	173	174
Finance expense	(517)	(449)	(98)	(10,315)	(11,379)
Gain from investment in associates	—	—	7,910	—	7,910
Income (loss) before income taxes	\$ 78,499	\$ (13,700)	\$ 5,142	\$ (18,137)	\$ 51,804
Current and deferred income tax expense (recovery)	9,250	—	—	884	10,134
Net income (loss)	\$ 69,249	\$ (13,700)	\$ 5,142	\$ (19,021)	\$ 41,670

As at September 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	\$ 238,248	\$ 211,471	\$ 100,804	\$ 18,107	\$ 568,630
Total liabilities	\$ 120,254	\$ 30,631	\$ 7,087	\$ 194,979	\$ 352,951

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 September 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>	September 30, 2019	December 31, 2018
Brazil (South America)	\$ 184,572	\$ 189,246
US (North America)	125,548	110,242
Guinea-Bissau (Africa)	79,325	70,216
Property, plant and equipment, net and mineral properties	\$ 389,445	\$ 369,704

21. NET CHANGE IN NON-CASH WORKING CAPITAL

For the nine months ended September 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 nine months ended September 30,</i>			
	2019		2018	
Accounts receivable	\$	14,125	\$	(26,163)
Inventories, net		18,656		(15,066)
Other assets and prepaids		3,492		(7,252)
Accounts payable and accrued liabilities		13,396		27,940
Other liabilities payable through MAP offtake agreement		(12,618)		(23,844)
Other liabilities and provisions		961		3,452
Net change in non-cash working capital	\$	38,012	\$	(40,933)

22. RELATED PARTY TRANSACTIONS

The Company's related party transactions include key management compensation and debt and debentures 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, 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 September 30,</i>			<i>For the nine months ended September 30,</i>		
	2019		2018	2019		2018
Management compensation and director fees	\$	323	\$	293	\$	1,438
Other benefits		2		7		26
Key management compensation	\$	325	\$	300	\$	1,464
						\$
						1,342

CLF DEBT

On September 11, 2019, the Company received \$15,000 of financing proceeds from CLF in the form of convertible unsecured subordinated debt. As at September 30, 2019, the outstanding principal balance of the CLF Promissory Note was \$15,117 (see Note 12).

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 September 30, 2019, and December 31, 2018, CLF's participation in the Facility was \$28,930 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).

CLF DEBENTURES

CLF is a holder of the Company's Canadian debentures. As at September 30, 2019, and December 31, 2018, the outstanding principal balance of the Canadian debentures issued to CLF was \$548 and \$496, respectively.

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 nine months ended September 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 or 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 September 30, 2019 and December 31, 2018, the Company's long-term debt was stated at an amortized cost of \$192,922 and \$163,788, respectively and had a fair value of \$184,738 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 nine months ended September 30, 2019 and 2018, the Company had foreign exchange gain (loss) and cumulative translation adjustment as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2019	2018	2019	2018
Brazilian Real weakening against US Dollar (%)	7.4	4.3	6.6	18.2
Canadian Dollar weakening (strengthening) against US Dollar (%)	1.2	(1.7)	(3.0)	3.1
Foreign exchange gain (loss)	\$ 303	\$ (748)	\$ (1,513)	\$ 289
Cumulative translation adjustment	\$ —	\$ 1,405	\$ 1,005	\$ (584)

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 September 30, 2019 and December 31, 2018, the Company's long-term debt was primarily 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 September 30, 2019 and December 31, 2018, the Company had accounts receivable of \$21,782 and \$35,907, respectively. As at September 30, 2019 and December 31, 2018, Itafos Conda had approximately 76% and 86%, respectively, of total accounts receivable from three and four customers, respectively. As at September 30, 2019 and December 31, 2018, Itafos Arraias had approximately 94% and 68%, respectively, 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 September 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, the Company intends to raise additional capital in 2019 and beyond through a combination of equity and debt financings.

On September 11, 2019, the Company raised \$15,000 capital in the form of the CLF Promissory Note. The Company further intends to complete a capital raise by December 31, 2019 of the lesser of \$40,000 or 24.9% of the Company's market capitalization, inclusive of the CLF Promissory Note, in order to satisfy the Required Capital Raise as per the Fourth Amendment to the Facility (see Notes 12 and 24 in the Interim Financial Statements).

The Company has a demonstrated track record of securing financing and a strong capital base. In November 2019, the Company received a commitment from CLF to invest up to an incremental \$36,000, if required, for the Company to meet its liabilities as and when they become due to ensure business continuity and ongoing operations through December 31, 2020. The investment amount may be reduced by any amount of new capital raised by the Company from investors other than CLF (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 and to invest capital at attractive rates of return. The Company actively 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.

24. SUBSEQUENT EVENTS

REVOLVING FACILITY

On October 31, 2019, the Company closed a \$20,000 secured working capital facility (the "Revolving Facility") at Itafos Conda and expanded its commercial relationship with Gavilon Fertilizer, LLC ("Gavilon"), a subsidiary of The Gavilon Group, LLC. The Revolving Facility considers an initial tranche of \$10,000 drawn at closing, with an option, subject to certain terms and conditions, for Gavilon to commit to an additional tranche of \$10,000. The Revolving Facility matures on October 31, 2021 and accrues interest at 8% per annum for any amounts outstanding and has a non-use fee of 4% per annum for any undrawn committed amounts. The Revolving Facility is secured by certain accounts receivable and inventory of Itafos Conda. In connection with the closing of the Revolving Facility, Itafos Conda expanded its commercial relationship with Gavilon, including supply of additional fertilizer products to Gavilon over the term of the Revolving Facility.

THE FACILITY

Beginning October 31, 2019, the cash interest accruing under the Facility increased by an additional 2% per annum and will continue accruing at such increased rate until the Required Capital Raise is completed. (see Notes 12 and 23).

On October 31, 2019, the minimum cash requirement under the Facility was reduced from \$5,000 to \$2,500 following the closing of the Revolving Facility. (see Note 12).

ITAFOS ARRAIAS

On November 21, 2019, the Company announced the decision to idle Itafos Arraias and suspend the repurpose plan at Itafos Arraias as part of a disciplined approach to capital allocation considering the continued downward pressure on global fertilizer prices (see Note 7).
