



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

TABLE OF CONTENTS

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS	3
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS	4
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS).....	5
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS.....	7
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	8
1. GENERAL COMPANY INFORMATION.....	8
2. BASIS OF PREPARATION AND PRESENTATION.....	8
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
4. ACQUISITIONS	12
5. REVENUE.....	14
6. INVENTORIES.....	15
7. PROPERTY, PLANT AND EQUIPMENT	15
8. MINERAL PROPERTIES.....	16
9. OTHER ASSETS	16
10. INVESTMENTS IN ASSOCIATES.....	17
11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	17
12. DEBT, DEBENTURES AND OTHER LIABILITIES.....	18
13. OTHER LONG-TERM LIABILITIES.....	20
14. PROVISIONS	21
15. SHARE CAPITAL.....	21
16. FOREIGN EXCHANGE GAIN (LOSS)	22
17. FINANCE INCOME (EXPENSE).....	22
18. COMMITMENTS AND CONTINGENCIES	22
19. SEGMENT REPORTING	22
20. NET CHANGE IN NON-CASH WORKING CAPITAL.....	24
21. RELATED PARTY TRANSACTIONS	24
22. FAIR VALUE MEASUREMENT AND RISK FACTORS	25
23. SUBSEQUENT EVENTS	27

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Assets		
Cash	\$ 62,896	\$ 63,677
Accounts receivable	22,721	116
Inventories (Note 6)	121,664	8,277
Other current assets (Note 9)	28,563	9,005
Total current assets	\$ 235,844	\$ 81,075
Property, plant and equipment, net (Note 7)	361,857	263,427
Mineral properties (Note 8)	128,170	47,195
Investments in associates (Notes 10)	–	15,074
Other long-term assets (Note 9)	12,459	14,520
Total non-current assets	\$ 502,486	\$ 340,216
Total assets	\$ 738,330	\$ 421,291
Liabilities		
Accounts payable and accrued liabilities (Note 11)	\$ 99,217	\$ 16,937
Current debt (Note 12a)	344	25,530
Contract liabilities (Note 5)	53	–
Other current liabilities (Note 12b)	190	184
Current debentures (Note 12c)	853	960
Provisions (Note 14)	546	542
Total current liabilities	\$ 101,203	\$ 44,153
Other long-term liabilities (Note 13)	8,473	8,733
Long-term debt (Note 12a)	154,838	–
Long-term portion of debentures (Note 12c)	2,046	2,240
Other liabilities (Notes 12b)	1,458	1,614
Deferred tax liabilities (Note 4)	9,661	–
Long-term provisions (Note 14)	9,121	2,952
Total long-term liabilities	\$ 185,597	\$ 15,539
Total liabilities	\$ 286,800	\$ 59,692
Equity		
Share capital (Note 15)	515,029	486,562
Contributed surplus	246,626	246,626
Cumulative translation adjustment reserve	6,466	8,455
Deficit	(325,653)	(389,106)
Equity attributable to shareholders of the parent	\$ 442,468	\$ 352,537
Non-controlling interest	9,062	9,062
Total equity	\$ 451,530	\$ 361,599
Total liabilities and equity	\$ 738,330	\$ 421,291

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

Approved by the Board

Signed “Antonio Cina”
ANTONIO 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, 2018 AND JUNE 30, 2017**

<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>	
	2018	2017	2018	2017
Revenues, net (Note 5)	\$ 67,187	\$ –	\$ 125,303	\$ –
Cost of goods sold	52,402	–	96,627	–
	\$ 14,785	\$ –	\$ 28,676	\$ –
Expenses				
Selling, general and administrative expenses	\$ 8,089	\$ 4,701	\$ 13,310	\$ 8,170
Operating income (loss)	6,696	(4,701)	15,366	(8,170)
Foreign exchange gain (loss) (Note 16)	1,066	(127)	1,037	(894)
Other income (expense), net	235	(531)	44	(2,139)
Gain on fair valuation of Itafos Conda, net (Note 4)	–	–	51,027	–
Finance income (expense), net (Note 17)	(3,342)	(33)	(5,327)	(112)
Gain (loss) from investment in associates (Note 10)	–	(1,250)	7,910	(1,587)
Income (loss) before income taxes	\$ 4,655	\$ (6,642)	\$ 70,057	\$ (12,902)
Current and deferred income tax expense	3,226	301	6,604	610
Net Income (loss) attributable to parent	\$ 1,429	\$ (6,943)	\$ 63,453	\$ (13,512)
Net income (loss) attributable to non-controlling interest	–	–	–	–
Net Income (loss)	\$ 1,429	\$ (6,943)	\$ 63,453	\$ (13,512)
Basic earnings per share	\$ 0.01	\$ (0.09)	\$ 0.47	\$ (0.19)
Fully diluted earnings per share	\$ 0.01	\$ (0.09)	\$ 0.46	\$ (0.19)

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, 2018 AND JUNE 30, 2017**

<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>	
	2018	2017	2018	2017
Net income (loss)	\$ 1,429	\$ (6,943)	\$ 63,453	\$ (13,512)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	(1,319)	551	(1,989)	626
Total other comprehensive income (loss) attributable to parent	110	(6,392)	\$ 61,464	\$ (12,886)
Other comprehensive income (loss) attributable to non-controlling interest	–	–	–	–
Total other comprehensive income (loss)	\$ 110	\$ (6,392)	\$ 61,464	\$ (12,886)

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, 2018 AND JUNE 30, 2017**

<i>(unaudited in thousands of US Dollars except for 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 January 1, 2018	128,018,569	\$ 486,562	\$ 246,626	\$ 8,455	\$ (389,106)	\$ 352,537	\$ 9,062	\$ 361,599
Net Income (loss)	–	–	–	–	63,453	63,453	–	63,453
Accumulated other comprehensive income (loss)	–	–	–	–	–	–	–	–
Cumulative translation adjustment	–	–	–	(1,989)	–	(1,989)	–	(1,989)
February 2018, Issuance of shares to acquire GBL (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	\$ (325,653)	\$ 442,468	\$ 9,062	\$ 451,530
Balance as at January 1, 2017	57,528,838	\$ 374,508	\$ 246,626	\$ 7,171	\$ (358,695)	\$ 269,610	\$ –	\$ 269,610
Net income (loss)	–	–	–	–	(13,512)	(13,512)	–	(13,512)
Accumulated other comprehensive income (loss)	–	–	–	–	–	–	–	–
Cumulative translation adjustment	–	–	–	626	–	626	–	626
March 2017, Issuance of shares from private placement (Note 15)	19,883,128	29,840	–	–	–	29,840	–	29,840
March 2017, Issuance of shares from debt conversion (Note 15)	1,906,541	3,000	–	–	–	3,000	–	3,000
Balance as at June 30, 2017	79,318,507	\$ 407,348	\$ 246,626	\$ 7,797	\$ (372,207)	\$ 289,564	\$ –	\$ 289,564

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, 2018 AND JUNE 30, 2017**

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	June 30, 2017
Operating activities		
Net income (loss)	\$ 63,453	\$ (13,512)
Adjustments for the following items:		
Depreciation and depletion	4,931	122
Cash settlement of share-based payments	(140)	–
Share-based payment (recovery) expense	646	367
Current and deferred income tax expense	6,604	610
Gain on fair valuation of Itafos Conda, net (Note 4)	(51,027)	–
(Gain) loss from investment in associates (Note 10)	(7,910)	1,587
Unrealized foreign exchange (gain) loss	(1,010)	894
Asset retirement obligation	–	(420)
Finance expense (Note 17)	5,327	112
Net change in non-cash working capital (Note 20)	(26,834)	(1,153)
Cash flows from operating activities	\$ (5,960)	\$ (11,393)
Investing activities		
Addition of property, plant and equipment and mineral properties	\$ (23,952)	\$ (15,017)
Acquisition of Itafos Conda (Note 4)	(66,500)	–
Cash received from Itafos Conda at acquisition	725	–
Acquisition of GBL (Note 4)	(25,539)	–
Issuance of note to GBL (Note 9)	(4,500)	–
Cash received from GBL at acquisition	2,898	–
Cash flows from investing activities	\$ (116,868)	\$ (15,017)
Financing activities		
Proceeds from debt financing (Note 12a)	\$ 132,671	\$ 3,000
Repayment of debt financing (Note 12a)	(4,451)	–
Payment of interest expense	(3,982)	–
Payment of financing related costs (Note 12a)	(2,079)	–
Net proceeds from issuance of shares (Note 15)	–	29,840
Cash flows from financing activities	\$ 122,159	\$ 32,840
Effect of foreign exchange of non-US Dollar denominated cash	\$ (112)	\$ 67
Increase (decrease) in cash	(781)	6,497
Cash, beginning of period	63,677	2,875
Cash, end of period	\$ 62,896	\$ 9,372

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, 2018

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

1. GENERAL COMPANY INFORMATION

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

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

- Itafos Conda - a vertically integrated phosphate fertilizer business which produces mono-ammonium phosphate (“MAP”), super phosphoric acid (“SPA”), merchant grade phosphoric acid (“MGA”) and specialty products including ammonia poly phosphate (“APP”) located in Idaho, US;
- Itafos Arraias - a vertically integrated phosphate fertilizer business which produces single super phosphate (“SSP”) located in Tocantins, Brazil;
- Itafos Paris Hills - a phosphate mine project located in Idaho, US;
- Itafos Farim – a phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Santana – a vertically integrated phosphate fertilizer project located in Pará, Brazil;
- Itafos Araxá - a rare earth oxide and other elements mine project located in Minas Gerais, Brazil; and
- Itafos Mantaro - a phosphate mine project located in Junin, Peru.

The Company’s principal shareholder is CL Fertilizers Holding, LLC (“CLF”), formerly known as Zaff LLC. CLF is an affiliate of Castlelake L.P., a global private investment firm (see Note 21).

On January 6, 2017, the Company’s shares commenced trading on the Toronto Stock Exchange Venture (TSXV) under the trading symbol “IFOS” following the change of the Company’s name from MBAC Fertilizer Corp. to Itafos in Q4 2016. The Company’s registered office is at Ugland House, Grand Cayman, Cayman Islands KY1-1104.

2. BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the 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, 2017, which includes information necessary or useful to understand the Company’s business and financial statement presentation.

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

Basis of Preparation and Presentation

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

Currencies

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

Consolidation

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which the Company obtained control and are deconsolidated from the date on which the Company ceases to have control. These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and intercompany transactions are eliminated on consolidation.

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

As at June 30, 2018 and December 31, 2017, the Company's NCI are as follows:

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

Principal Shareholder

The Company's principal shareholder is CLF, a Delaware limited liability company with offices in Minnesota, US. As at December 31, 2017, CLF beneficially owned and controlled 81,452,992 shares of the Company, representing approximately 63.6% of the issued and outstanding shares on an undiluted basis. As at June 30, 2018, CLF beneficially owned and controlled 81,980,064 shares of the Company representing approximately 57.7% of the issued and outstanding shares on an undiluted basis. CLF is also a related party (see Note 21).

Critical Accounting Estimates and Judgments

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

Commencement of Commercial Production

Judgment is required in determining the date that property, plant and equipment is available for use. An asset is available for use when it is in the location and condition necessary to operate in the manner intended by management. At that time, the Company commences depreciation of the asset and ceases capitalization of borrowing costs. The Company considers several factors in making the determination of when an asset is available for use including, but not limited to, design capacity of the asset, production levels achieved and commissioning status. The Company defines the achievement

of commercial production as the date that an asset has achieved a consistent level of production, evidenced by 30 consecutive days of sustainable production at 75% capacity utilization. In July 2017, the Company completed the recommissioning of Itafos Arraias. On July 3, 2018, Itafos Arraias achieved commercial production by meeting the capacity utilization metric (see Note 23).

Estimate of Fair Value of Business Combination

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Plant Turnaround Costs

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

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") effective January 1, 2018 on a full retrospective basis in accordance with the transitional provisions of IFRS 15. The Company did not own any projects that were in commercial production prior to adoption of this standard. As such, no adjustment has been recorded to the comparative figures. As Itafos Arraias had not yet achieved commercial production during the three and six months ended June 30, 2018, revenue earned through sales at Itafos Arraias during these periods was capitalized into property, plant and equipment. On July 3, 2018, Itafos Arraias declared commercial production (see Note 23). Starting in Q3 2018, the Company will begin recognizing revenue earned through sales at Itafos Arraias.

Revenue from Sale of Goods

Itafos Conda sells MAP, SPA, MGA and APP to its customers in the North American market. The Company recognizes revenue from these sales when control of the product has transferred to the customer as specified by the contract delivery terms agreed with the customer (e.g., Free on Board, Freight Paid Allowance, Delivery Prepaid). The control of the product has transferred to the customer when the customer has legal title to and the risk and rewards of ownership of the product and the customer is able to direct the use of and obtain substantially all of the remaining benefits from the product. Revenue is measured at the transaction price agreed under the contract. With the exception of the MAP offtake agreement (see Note 4), Itafos Conda's customer contract terms do not typically extend beyond 12 months from commencement. Accordingly, transaction price to unfulfilled performance obligations and financing components of customer contracts do not have a significant impact on the presentation and disclosure of financial statements. Individual customer orders are placed in accordance with underlying contract terms. Customer orders are typically fulfilled in 30 days or less from receipt of the order. Payment of the transaction price is due based on the terms stated in the contract. On average, payments are received 35 days from delivery of the product and can range from five to 60 days from delivery of the product.

Variable Consideration

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

IFRS 9 Financial Instruments

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

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

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

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

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

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

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

IFRS 16 Leases (Effective January 1, 2019)

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

4. ACQUISITIONS**Itafos Conda**

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

The consideration for the acquisition was comprised of a base purchase price of \$66,500 plus a working capital adjustment considering the value of inventories and other assets as of the closing of the acquisition. The value of the working capital adjustment would be adjusted once the Company and Agrium agreed the value of the inventories and other assets as of the closing of the acquisition.

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 of the acquisition and \$6,500 of property plant and equipment.

At the closing of the acquisition, the Company paid \$66,500 in cash and preliminarily recorded a working capital adjustment of \$48,640 to be settled against 25% of all receivables from the MAP offtake agreement from the closing of the acquisition until the liability is satisfied.

After the closing of the acquisition, the Company and Agrium agreed that the value of the inventories and other assets as of the closing of the acquisition was \$102,356. The working capital adjustment reduced the preliminary consideration for the acquisition and resulted in a receivable due from Agrium included in other current assets.

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

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

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

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

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

Itafos Conda contributed net revenues of \$125,303 and net income of \$73,114 to the Company from January 12, 2018 through June 30, 2018. If the acquisition had occurred on January 1, 2018, net revenue and net income for the six months ended June 30, 2018 would have been \$132,744 and \$75,135, respectively.

In connection with the Itafos Conda acquisition, certain other agreements were entered into by Itafos Conda and a subsidiary of Agrium related to mining activities and services. Among those other agreements, Itafos Conda and a subsidiary of Agrium entered into a phosphate ore supply agreement whereby Itafos Conda purchases phosphate ore from a subsidiary of Agrium (see Note 11). Itafos Conda and a subsidiary of Agrium also entered into a mining services agreement whereby Itafos Conda agreed to engage and cause its mining contractor to provide certain mining services for the benefit of a subsidiary of Agrium (see Note 9).

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

GBL

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

The purchase price for the acquisition, executed through a plan of arrangement (the GBL Arrangement") under the Business Corporations Act (British Columbia) was \$48,874. \$25,539 of the purchase price was paid in cash at closing (C\$32,363) and \$23,335 of the purchase price was paid with an issuance of 11,301,732 shares of the Company. The Company accounted for the acquisition of GBL as an asset acquisition.

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

<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 assets acquired and liabilities assumed:	
Mineral properties	\$ 81,224
Cash and cash equivalents	2,898
Other current assets	488
Property, plant and equipment	206
Notes payable	(11,976)
Accounts receivable and accrued liabilities	(1,547)
Other long-term liabilities	(108)
Net assets acquired	\$ 71,185

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

5. REVENUE

For the three and six months ended June 30, 2018 and June 30, 2017, the Company 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>	
	2018	2017	2018	2017
MAP	\$ 32,334	\$ –	\$ 67,242	\$ –
SPA, net	29,695	–	52,903	–
APP, net	5,158	–	5,158	–
Revenues, net	\$ 67,187	\$ –	\$ 125,303	\$ –

Certain Itafos Conda customer contracts contain rebate provisions. Revenues are presented net of estimated rebates. Of the revenues recorded from Itafos Conda for the three months ended June 30, 2018, 100% of MAP revenues were generated from Agrium, approximately 49% of SPA revenues were generated from two key customers and approximately 7% of APP revenues were generated from one key customer. Of the revenues recorded from Itafos Conda for the six months ended June 30, 2018, 100% of MAP revenues were generated from Agrium, approximately 51% of SPA revenues were generated from two key customers, and approximately 7% of APP revenues were generated from one key customer. For the three and six months ended June 30, 2017, the Company recorded no revenues. Itafos Arraias was in development stage during both periods and as such all revenues generated were offset against additions to property, plant and equipment. For the three and six months ended June 30, 2018, Itafos Arraias revenues offset against additions to property, plant and equipment were \$5,521 and \$7,220, respectively. For the three and six months ended June 30, 2017, Itafos Arraias revenues offset against additions to property, plant and equipment were \$0 and \$0, respectively.

As at June 30, 2018 and December 31, 2017, the Company had contract liabilities of \$53 and \$0, respectively. Contract liabilities are payments received in advance by Itafos Conda from customers relating to performance obligations that are not yet complete, as the product has not yet been delivered. During the three and six months ended June 30, 2018, the Company has recognized revenue that was previously reported as contract liabilities in the amounts of \$352 and \$352, respectively, as the related performance obligations have been completed. During the three and six months ended June 30, 2017, the Company did not recognize any revenue that was previously reported as contract liabilities.

As at June 30, 2018 and December 31, 2017, the Company had unbilled receivables included in accounts receivable of \$3,737 and \$0, respectively. Unbilled receivables are for performance obligations that have been completed for customers of Itafos Conda which have not yet been invoiced. As at June 30, 2018, the Company has assessed and determined that there is no impairment of these unbilled receivables. During the three and six months ended June 30, 2018, the Company did not recognize any revenue that was previously reported as unbilled receivables. During the three and six months ended June 30, 2017, the Company did not recognize any revenue that was previously reported as unbilled receivables.

6. INVENTORIES

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Finished goods	\$ 18,119	\$ 567
Work in process	3,970	7,813
Raw materials	89,056	2,790
Spare parts	14,632	1,220
Net realizable value adjustments	(4,113)	(4,113)
Inventories	\$ 121,664	\$ 8,277

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

7. PROPERTY, PLANT AND EQUIPMENT

As at June 30, 2018 and December 31, 2017, 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, 2017	\$ 3,273	\$ 128,078	\$ 156,918	\$ 36,351	\$ 324,620
Acquisitions (Note 4)	20,640	–	34,343	2,695	57,678
Additions	935	18,397	1,496	24,855	45,683
Disposals	–	–	–	–	–
Balance as at June 30, 2018	\$ 24,848	\$ 146,475	\$ 192,757	\$ 63,901	\$ 427,981
Accumulated depreciation					
Balance as at December 31, 2017	\$ –	\$ 24,725	\$ 36,468	\$ –	\$ 61,193
Additions	–	–	4,931	–	4,931
Disposals	–	–	–	–	–
Balance as at June 30, 2018	\$ –	\$ 24,725	\$ 41,399	\$ –	\$ 66,124
Property, plant and equipment, net					
As at December 31, 2017	\$ 3,273	\$ 103,353	\$ 120,450	\$ 36,351	\$ 263,427
As at June 30, 2018	\$ 24,848	\$ 121,750	\$ 151,358	\$ 63,901	\$ 361,857

As at June 30, 2018 and December 31, 2017, the balances of property, plant and equipment include capitalized interest of \$4,690 and \$1,605, respectively. For the three and six months ended June 30, 2018, the property, plant, and equipment additions included \$10,586 of Itafos Conda plant turnaround costs on a two year cycle. Itafos Conda's plant turnaround was completed in June 2018 and depreciation of these costs will commence during Q3 2018 over two years. Itafos Arraias was in development stage during both periods and as such its pre-commercial production costs incurred are capitalized and not subject to depreciation. As at June 30, 2018, \$17,884 of development costs were capitalized related to Itafos Arraias.

8. MINERAL PROPERTIES

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

<i>(unaudited in thousands of US Dollars)</i>	Development costs	Exploration and evaluation costs	Accumulated depletion	Net book value
Balance as at December 31, 2017	\$ 30,178	\$ 18,755	\$ (1,738)	\$ 47,195
Acquisitions (Note 4)	–	81,224	–	81,224
Additions	–	1,204	–	1,204
Foreign currency translation adjustments	–	(1,453)	–	(1,453)
Balance as at June 30, 2018	\$ 30,178	\$ 99,730	\$ (1,738)	\$ 128,170

Additions to exploration and evaluation costs are related to activities of GBL. Foreign currency translation adjustments of \$1,453 are a result of exchange rate changes of the US Dollar (reporting currency) versus the Canadian Dollar and the Central African Franc (functional currencies of the entities holding the mineral rights).

9. OTHER ASSETS

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Tax credits	\$ 13,249	\$ 14,478
Promissory note receivable from GBL (balance includes interest accrual)	–	5,145
Advances to suppliers	2,544	1,690
Mining prepaid expenses	7,316	–
Other receivables	10,152	–
Deposits	3,000	–
Other	4,761	2,212
Other assets	\$ 41,022	\$ 23,525
Less: current portion	(28,563)	(9,005)
Other long-term assets	\$ 12,459	\$ 14,520

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Tax credits	\$ 1,548	\$ 483
Promissory note receivable from GBL (balance includes interest accrual)	–	5,145
Advances to suppliers	2,544	1,690
Mining prepaid expenses	7,316	–
Other receivables	10,152	–
Deposits	3,000	–
Other	4,003	1,687
Other current assets	\$ 28,563	\$ 9,005

Tax credits consist of Brazilian state and federal taxes that accumulated primarily on purchases of property, plant and equipment. The tax credits can be applied to offset and potentially reimburse certain value added taxes and other taxes payable in future periods. As at June 30, 2018, and December 31, 2017, the Company had tax credits of \$13,249 and \$14,478, respectively (net of 20% tax credit allowance, which has been determined on the average of credits accepted by the Brazilian tax authorities for the years 2012, 2013 and Q1 2014).

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

Mining prepaid expenses are expenses paid in advance as a part of the Itafos Conda acquisition.

Other receivables are related to the mining services agreement between Itafos Conda and a subsidiary of Agrium and working capital adjustments to the purchase price for Itafos Conda (see Note 4). The Company has a corresponding accrual in its other payables and accrued liabilities section.

Deposits represent cash collateral posted to certain of Itafos Conda's key services providers.

10. INVESTMENTS IN ASSOCIATES

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

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

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Payroll and related taxes payable	\$ 4,425	\$ 2,266
Taxes payable	12,501	5,450
Trade payables	18,429	3,745
Accrued liabilities and other	25,760	5,476
Rebates	950	–
Other payables	5,481	–
Accrued liabilities payable through MAP offtake agreement	31,671	–
Accounts payable and accrued liabilities	\$ 99,217	\$ 16,937

Taxes payable as at June 30, 2018 includes \$7,478 of tax provision relating to Itafos Conda. The residual amount is primarily attributable to the Brazilian taxes.

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

Accrued liabilities and other includes \$4,657 of liabilities related to the phosphate ore supply agreement between Itafos Conda and a subsidiary of Agrium (see Note 4).

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

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

12. DEBT, DEBENTURES AND OTHER LIABILITIES

a) Debt and Promissory Notes

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 wholly-owned subsidiaries. The Facility is further secured by certain of the Company’s direct and indirect interests in certain of the Company’s wholly-owned 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 at the Company’s discretion. The Company also has the ability to pay in kind interest at any time prior to maturity. As at June 30, 2018, \$206 of in kind interest was capitalized into principal of the Facility. As at June 30, 2018, the Company accrued cash and in-kind interest related to the Facility in the amounts of \$344 and \$344, respectively. There are no required principal payments until the scheduled maturity. The Company may make principal payments prior to the maturity date; however, the Company would incur prepayment penalties if principal payments are made prior to June 6, 2021.

The Company incurred financing costs of \$5,829 related to the Facility. The Company also issued 2,750,000 shares to the syndicate of lenders of the Facility, which had a fair value of \$5,132 as determined by the market price of C\$2.41 per share as of the date of issuance of the shares. Both the financing costs and the fair value of the shares issued in connection with the Facility were capitalized and presented as a reduction of the carrying value of the Facility, which is amortized using the effective interest rate method. For the three and six months ended June 30, 2018, the Company amortized \$249 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	June 30, 2019
Consolidated Leverage	4.50:1.00	June 30, 2019
Consolidated Leverage	4.25:1.00	March 31, 2020
Consolidated Leverage	4.00:1.00	June 30, 2020

In addition to the restrictive financial covenants, the Facility includes other compliance requirements including a requirement to maintain minimum cash of \$5,000 throughout the term of the Facility.

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

For the period December 31, 2017 through June 30, 2018, 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, 2017	\$ 25,530	\$ –
Issuance of promissory notes	61,421	–
Interest accruals of promissory notes	8,293	–
Acquisition of promissory notes from GBL Arrangement	2,708	–
Closing of the Facility	–	165,000
Deferred financing costs	–	(10,961)
Repayment of promissory notes and related accrued interest	(7,952)	–
Exchange of promissory notes and related accrued interest	(90,000)	–
Capitalization of in-kind interest	–	206
Interest accrual of the Facility	344	–
Accrued in-kind interest of the Facility	–	344
Amortization of financing costs	–	249
Balance as at June 30, 2018	\$ 344	\$ 154,838

b) Other Liabilities

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Brazilian debentures	\$ 1,563	\$ 1,713
Other equity warrants	85	85
Other liabilities	\$ 1,648	\$ 1,798
Less: current portion	(190)	(184)
Other liabilities	\$ 1,458	\$ 1,614

Brazilian debentures of \$1,563 and \$1,713 as at June 30, 2018 and December 31, 2017, respectively, mature in 10 years on August 29, 2026. The debentures have a 10% interest rate with interest and principal paid in equal annual installments.

Warrants of \$85 and \$85 as at June 30, 2018 and December 31, 2017, respectively, are related to the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by Itafos of Stonegate Agricom Ltd. (“STG”), the owner of Itafos Paris Hills and Itafos Mantaro. 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.

c) Long-Term Portion of Debentures

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Canadian debentures	\$ 2,899	\$ 3,200
Less: current portion	(853)	(960)
Long-term portion of debentures	\$ 2,046	\$ 2,240

Canadian debentures of \$2,899 and \$3,200 (including accrued interest), as at June 30, 2018 and December 31, 2017, respectively, were issued to CLF and to Banco Modal S.A. (“Modal”) and originally matured in 10 years on October 27, 2026. The debentures originally had a 10% interest rate with interest and principal payable in equal annual installments. On July 28, 2017, CLF assigned to Modal C\$1,753 of the C\$2,584 convertible debenture issued by the Company to CLF on October 27, 2016 (the “CLF Debenture”). Following the assignment, the parties agreed to break into two separate instruments, the CLF Debenture to reflect (i) Modal as the holder of C\$1,753 and (ii) CLF as the holder of C\$831. In addition, the Company and Modal agreed to amend Modal’s convertible debentures of C\$1,107 and C\$1,753. The amendments reduced the term from 10 years to four years and reduced the interest rate from 10% to 7.5%. As the change in future payment terms expected was determined to not be substantial, the amendments were recorded as a debt modification.

Accordingly, the effective interest rate on the convertible debentures held by Modal was recalculated at the amendment date based on the carrying value of the debt and the expected future payment terms and a loss was recognized as borrowing cost.

13. OTHER LONG-TERM LIABILITIES

Other Long-Term Liabilities

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Withholding taxes payable	\$ 6,868	\$ 7,488
Long-term taxes payable	87	251
Share-based payments	1,500	994
Other liabilities	18	–
Other long-term liabilities	\$ 8,473	\$ 8,733

Withholding taxes payable of \$6,868 and \$7,488 as at June 30, 2018 and December 31, 2017, respectively, are mainly related to the taxes payable to the Brazilian tax authorities resulting from intercompany loans between the Company's subsidiaries. These taxes would be due after 2020 upon maturity of the intercompany loans.

Share-based payments of \$1,500 and \$994 as at June 30, 2018 and December 31, 2017, respectively, are related to the restricted share units ("RSUs") granted by the Company under the Company's restricted share unit plan (the "RSU Plan"). During the three and six months ended June 30, 2018 the Company granted 153,000 and 1,367,303 RSUs (net of forfeitures), respectively, under the Company's RSU Plan. During the three and six months ended June 30, 2017 the Company granted 0 and 16,200 RSUs (net of forfeitures), respectively, under the Company's RSU Plan. The maximum number of shares which may be reserved for issuance under the RSU Plan at any time is 5,213,403 shares. In accordance with the RSU Plan, the RSUs vest 25% on the second anniversary of the date of grant and 75% on the third anniversary of the date of grant. The RSU Plan allows the participant to elect to redeem its RSUs in exchange for shares or cash. The RSUs are accounted for as cash-settled share-based payments with a liability being recognized for services acquired. The initial measurement is at the fair value of the liability considering the market price of the share. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period with any changes in fair value recognized in the consolidated statement of operations. During the three and six months ended June 30, 2018, the Company settled 75,017 RSUs for \$140. For the three and six months ended June 30, 2018, share-based payment expense of \$29 and \$646, respectively, has been recognized in the condensed consolidated interim statements of operations. For the three and six months ended June 30, 2017, share-based payment expense of \$171 and \$367, respectively, has been recognized in the condensed consolidated interim statements of operations.

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

	RSUs
Balance as at December 31, 2017	1,631,880
Granted	1,367,303
Cash settled	(75,017)
Forfeited	–
Balance as at June 30, 2018	2,924,166

14. PROVISIONS

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Legal contingencies	\$ 546	\$ 542
Environmental and asset retirement obligations	9,121	2,952
Provisions	\$ 9,667	\$ 3,494
Less: current portion	(546)	(542)
Long-term provisions	\$ 9,121	\$ 2,952

As at June 30, 2018 and December 31, 2017, the environmental and asset retirement obligations of Itafos Conda were \$6,422 and \$0, reflecting obligations from extractive activity during the six months ended June 30, 2018.

15. 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, 2018 and December 31, 2017, and the Company had 142,070,301 and 128,018,569 and issued and outstanding shares, respectively.

On June 6, 2018, the Company issued 2,750,000 shares to the syndicate of lenders of the Facility (see Note 12). On February 27, 2018, the Company issued 11,301,732 shares as a part of the GBL arrangement (see Note 4).

On March 9, 2017, the Company completed a private placement of shares at a price of C\$2.10 per share and received net proceeds of \$32,840 (after deducting transaction costs of \$1,214). The net proceeds include \$29,840 from the issuance of 19,883,128 shares through private placement and conversion of \$3,000 from the issuance of 1,906,541 shares to settle notes payable to CLF.

For the three and six months ended June 30, 2018 and June 30, 2017, 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>	
	2018	2017	2018	2017
Weighted average number of shares	140,045,576	71,252,718	136,063,392	71,252,718
Weighted average number of dilutive options and convertible debentures	1,006,315	–	1,467,015	–
Diluted weighted average number of shares	141,051,891	71,252,718	137,530,407	71,252,718

NCI of Brazilian Subsidiaries

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

16. FOREIGN EXCHANGE GAIN (LOSS)

During the three and six months ended June 30, 2018, the Company recognized a foreign exchange gain of \$1,066 and \$1,037, respectively. During the three and six months ended June 30, 2017, the Company recognized a foreign exchange loss of \$127 and \$894, respectively. These amounts are primarily comprised of the gain (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, 2018 and June 30, 2017, 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>	
	2018	2017	2018	2017
Interest expense	\$ (3,343)	\$ (23)	\$ (5,499)	\$ (92)
Other financial expense	–	(10)	–	(21)
Interest income	1	–	172	1
Finance income (expense)	\$ (3,342)	\$ (33)	\$ (5,327)	\$ (112)

18. 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, 2018, the Company does not believe that the outcome of any of the matters, individually or in aggregate, not recorded in these condensed consolidated interim financial statements would have a material adverse effect. As at June 30, 2018, the Company has currently accrued \$546 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.

19. SEGMENT REPORTING

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

For the three months ended June 30, 2018 the Company had net income (loss) by operating 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	52,402	–	–	–	52,402
	\$ 14,785	\$ –	\$ –	\$ –	\$ 14,785
Operating expenses					
Selling, general and administrative expenses	101	1,495	570	5,923	8,089
Operating income (loss)	\$ 14,684	\$ (1,495)	\$ (570)	\$ (5,923)	\$ 6,696
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	–	–	–	1	1
Finance expense	(43)	494	(421)	(3,373)	(3,343)
Gain (loss) from investment in associates	–	–	–	–	–
Income (loss) before income taxes	\$ 14,621	\$ 303	\$ (1,046)	\$ (9,223)	\$ 4,655
Current and deferred income tax	2,933	–	–	293	3,226
Net income (loss)	\$ 11,688	\$ 303	\$ (1,046)	\$ (9,516)	\$ 1,429

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

<i>(unaudited in thousands of US Dollars)</i>	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Revenues, net	\$ -	-	-	-	\$ -
Cost of goods sold	-	-	-	-	-
	\$ -	-	-	-	\$ -
Operating expenses					
Selling, general and administrative expenses	-	1,751	18	2,932	4,701
Operating income (loss)	\$ -	\$ (1,751)	\$ (18)	\$ (2,932)	\$ (4,701)
Foreign exchange gain (loss)	-	(825)	2,196	(1,498)	(127)
Other Income (expense), net	-	(510)	(21)	-	(531)
Gain on fair valuation of Itafos Conda, net	-	-	-	-	-
Finance income	-	-	-	-	-
Finance expense	-	36	1	(70)	(33)
Gain (loss) from investment in associates	-	-	(1,250)	-	(1,250)
Income (loss) before income taxes	\$ -	\$ (3,050)	\$ 908	\$ (4,500)	\$ (6,642)
Current and deferred income tax	-	-	-	301	301
Net income (loss)	\$ -	\$ (3,050)	\$ 908	\$ (4,801)	\$ (6,943)

For the six months ended June 30, 2018 the Company had net income (loss) by operating 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	96,627	-	-	-	96,627
	\$ 28,676	\$ -	\$ -	\$ -	\$ 28,676
Operating expenses					
Selling, general and administrative expenses	591	3,026	800	8,893	13,310
Operating income (loss)	\$ 28,085	\$ (3,026)	\$ (800)	\$ (8,893)	\$ 15,366
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	51,027	-	-	-	51,027
Finance income	-	-	-	172	172
Finance expense	(43)	(2,219)	(573)	(2,664)	(5,499)
Gain (loss) from investment in associates	-	-	7,910	-	7,910
Income (loss) before income taxes	\$ 79,102	\$ (4,263)	\$ 6,452	\$ (11,234)	\$ 70,057
Current and deferred income tax	5,988	-	-	616	6,604
Net income (loss)	\$ 73,114	\$ (4,263)	\$ 6,452	\$ (11,850)	\$ 63,453

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

<i>(unaudited in thousands of US Dollars)</i>	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Revenues, net	\$ -	-	-	-	\$ -
Cost of goods sold	-	-	-	-	-
	\$ -	-	-	-	\$ -
Operating expenses					
Selling, general and administrative expenses	-	3,900	47	4,223	8,170
Operating income (loss)	\$ -	\$ (3,900)	\$ (47)	\$ (4,223)	\$ (8,170)
Foreign exchange gain (loss)	-	(3,568)	2,750	(76)	(894)
Other Income (expense), net	-	(2,069)	(70)	-	(2,139)
Gain on fair valuation of Itafos Conda, net	-	-	-	-	-
Finance income	-	-	-	1	1
Finance expense	-	21	-	(134)	(113)
Gain (loss) from investment in associates	-	-	(1,587)	-	(1,587)
Income (loss) before income taxes	\$ -	\$ (9,516)	\$ 1,046	\$ (4,432)	\$ (12,902)
Current and deferred income tax	-	-	-	610	610
Net income (loss)	\$ -	\$ (9,516)	\$ 1,046	\$ (5,042)	\$ (13,512)

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

<i>(unaudited in thousands of US Dollars)</i>	Itafos Conda		Itafos Arraias		Development and exploration		Corporate	Total
Total assets	\$	231,050	\$	344,932	\$	104,106	\$ 58,242	\$ 738,330
Total liabilities	\$	96,965	\$	21,543	\$	4,363	\$ 163,929	\$ 286,800

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

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

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	December 31, 2017
Brazil (South America)	\$ 321,855	\$ 303,701
US (North America)	86,103	6,777
Guinea-Bissau (Africa)	81,155	–
Other	914	144
Property, plant and equipment, net and mineral properties	\$ 490,027	\$ 310,622

20. NET CHANGE IN NON-CASH WORKING CAPITAL

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

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2018	June 30, 2017
Accounts receivable	\$ (22,456)	\$ (32)
Inventories	(5,525)	(3,755)
Other assets and prepaids	(15,594)	1,322
Accounts payable and accrued liabilities	27,279	1,869
Other liabilities payable through MAP offtake agreement	(10,685)	–
Other liabilities and provisions	147	(557)
Net change in non-cash working capital	\$ (26,834)	\$ (1,153)

21. 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, 2018 and June 30, 2017, 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>	
	2018	2017	2018	2017
Management compensation and director fees	\$ 293	\$ 863	\$ 1,020	\$ 1,605
Other benefits	8	13	22	26
Key management compensation	\$ 301	\$ 876	\$ 1,042	\$ 1,631

CLF Debt

CLF is a lender under the Facility with participation of \$31,634 of the \$165,000 principal as of the date of issuance (see Note 12). Also, CLF received 527,072 of the 2,750,000 shares of the Company issued in connection with the closing of the Facility.

On January 12, 2018 and February 26, 2018, the Company received \$13,000 and \$16,842, respectively, of financing proceeds from CLF in the form of promissory notes. As of the closing of the Facility, the promissory notes were extinguished.

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

22. FAIR VALUE MEASUREMENT AND RISK FACTORS

The Company's activities expose it to a variety of financial risks, including, but not limited to, credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk. The Company's risk exposures and the impact on the Company's financial performance are summarized below.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to certain other long-term assets. Management reviews the aging of receivables and reduces the carrying value to provide for possible losses. As at June 30, 2018 and December 31, 2017, the Company had accounts receivable of \$22,721 and \$116, respectively. Cash consists of funds that have been deposited with reputable financial institutions and management believes the risk of loss to be remote.

Liquidity Risk

The Company continues to focus on improved efficiencies in operations to maximize margins as well as fund development activities and further growth. In addition to the equity financing raised in its private placement and the debt financing raised through the Facility, management is pursuing further equity and/or debt financing to support the funding of strategic, general corporate and working capital requirements. Based on the Company's strong capital base combined with continued interest in its platform from a diverse set of potential investors, management does not anticipate any significant challenges in raising such financings. In addition, with the acquisition of Itafos Conda on January 12, 2018, a cash flow generating business, the Company has further solidified its operating cash flows and financial position (see Note 4).

Foreign Currency Risk

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

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

Commodity Price Risk

The Company is exposed to commodity price risk with respect to global fertilizer prices. Global fertilizer prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions of major fertilizer producing countries. The profitability of the Company is directly related to the market price of its products. Future price declines could negatively impact the Company's future operations. The Company has not hedged any of its future fertilizer sales.

Capital Management

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

Fair Value Measurement

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

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

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

The fair values of cash, accounts receivables, accounts payable, accrued liabilities, debt and debentures approximate their carrying values in the consolidated balance sheets since the interest receivable and or payable is either close to current market rates or the instruments are short-term in nature. Long-term debt is recorded on the condensed interim consolidated balance sheets at June 30, 2018 at amortized cost. The fair value of long-term debt is determined by applying a discount rate, reflecting the credit spread based on the Company's credit rating, to future related cash flows which is categorized within Level 2 of the fair value hierarchy. As at June 30, 2018 and December 31, 2017, the Company's long-term debt is stated at an amortized cost of \$159,300 and \$4,913, respectively, and has a fair value of \$168,451 and \$3,325, respectively.

23. SUBSEQUENT EVENTS

On July 3, 2018, Itafos Arraias achieved commercial production (see Note 2). As a result, starting in Q3 2018 Itafos Arraias will commence recognition of revenue and related cost of sales and production including depreciation and depletion (see Note 3).
