



**Consolidated Financial Statements
for the three and six months ended June 30, 2021 and 2020
(Unaudited)**

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT JUNE 30, 2021 AND DECEMBER 31, 2020**

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 34,872	\$ 9,539
Accounts receivable	22,934	21,949
Inventories, net (Note 5)	88,520	93,435
Other current assets (Note 8)	7,969	9,568
Total current assets	\$ 154,295	\$ 134,491
Long-term inventories, net (Note 5)	1,551	1,551
Property, plant and equipment, net (Note 6)	218,683	205,069
Mineral properties, net (Note 7)	125,330	127,930
Deferred tax assets, net (Note 18)	966	1,204
Other long-term assets (Note 8)	4,278	7,059
Total non-current assets	\$ 350,808	\$ 342,813
Total assets	\$ 505,103	\$ 477,304
Liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 58,678	\$ 50,986
Provisions (Note 10)	2,600	760
Current debt (Notes 11 and 24)	196,062	2,437
Contract liabilities	97	21
Other current liabilities (Note 12)	2,730	2,812
Total current liabilities	\$ 260,167	\$ 57,016
Long-term debt (Notes 11 and 24)	50,371	237,756
Long-term provisions (Note 10)	81,272	82,743
Other long-term liabilities (Note 12)	18,711	17,366
Total long-term liabilities	\$ 150,354	\$ 337,865
Total liabilities	\$ 410,521	\$ 394,881
Equity		
Share capital (Note 13)	532,323	531,647
Contributed surplus	246,626	246,626
Cumulative translation adjustment reserve	4,660	4,660
Deficit	(689,781)	(701,264)
Shareholders' equity (Notes 2 and 13)	\$ 93,828	\$ 81,669
Non-controlling interest (Notes 2 and 13)	754	754
Total equity	\$ 94,582	\$ 82,423
Total liabilities and equity	\$ 505,103	\$ 477,304

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

Approved by the Company's Board of Directors

Signed "Anthony Cina"
ANTHONY CINA
Chairman

Signed "G. David Delaney"
G. DAVID DELANEY
Director

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED IN JUNE 30, 2021 AND 2020**

<i>(unaudited in thousands of US Dollars except as otherwise noted)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2021	2020	2021	2020
Revenues (Note 14)	\$ 103,316	\$ 62,111	\$ 193,458	\$ 137,472
Cost of goods sold	70,710	60,076	142,323	141,756
Write-off of mineral properties	—	8,449	—	8,449
Gross margin	\$ 32,606	\$ (6,414)	\$ 51,135	\$ (12,733)
Selling, general and administrative expenses (Note 15)	7,680	4,162	13,270	10,086
Operating income (loss)	\$ 24,926	\$ (10,576)	\$ 37,865	\$ (22,819)
Foreign exchange gain (loss)	129	(2,531)	58	(5,631)
Other income	42	20	144	1,287
Gain (loss) on asset disposal	48	(635)	48	(635)
Finance expense, net (Note 17)	(8,564)	(6,941)	(16,956)	(13,029)
Income (loss) before income taxes	\$ 16,581	\$ (20,663)	\$ 21,159	\$ (40,827)
Current and deferred income tax expense (recovery) (Note 18)	6,999	151	9,676	(1,724)
Net income (loss) and comprehensive income (loss)	\$ 9,582	\$ (20,814)	\$ 11,483	\$ (39,103)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest (Notes 2 and 13)	—	—	—	—
Net income (loss) and comprehensive income (loss) attributable to shareholders of the Company	\$ 9,582	\$ (20,814)	\$ 11,483	\$ (39,103)
Basic earnings (loss) per share (Note 13)	\$ 0.05	\$ (0.11)	\$ 0.06	\$ (0.21)
Fully diluted earnings (loss) per share (Note 13)	\$ 0.05	\$ (0.11)	\$ 0.06	\$ (0.21)

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, 2021 AND 2020**

<i>(unaudited in thousands of US Dollars except as otherwise noted)</i>	Number of shares	Amount	Contributed surplus	Cumulative translation adjustment reserve	Deficit	Shareholders' equity ¹	Non-controlling interest	Total equity
Balance as at December 31, 2020	185,462,824	\$ 531,647	\$ 246,626	\$ 4,660	\$ (701,264)	\$ 81,669	\$ 754	\$ 82,423
Net Income and comprehensive income	—	—	—	—	11,483	11,483	—	11,483
Issuance of shares under RSU Plan (Note 13)	1,299,662	676	—	—	—	676	—	676
Balance as at June 30, 2021	186,762,486	\$ 532,323	\$ 246,626	\$ 4,660	\$ (689,781)	\$ 93,828	\$ 754	\$ 94,582
Balance as at December 31, 2019	178,551,065	\$ 529,177	\$ 246,626	\$ 4,660	\$ (638,204)	\$ 142,259	\$ —	\$ 142,259
Net loss and comprehensive loss	—	—	—	—	(39,103)	(39,103)	—	(39,103)
Issuance of shares under RSU Plan (Note 13)	1,911,759	732	—	—	—	732	—	732
Issuance of shares to lenders of the Credit Facility (Note 13)	5,000,000	1,738	—	—	—	1,738	—	1,738
Balance as at June 30, 2020	185,462,824	\$ 531,647	\$ 246,626	\$ 4,660	\$ (677,307)	\$ 105,626	\$ —	\$ 105,626

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

¹ See Note 2

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

<i>(unaudited in thousands of US Dollars)</i>	<i>For the six months ended June 30,</i>	
	2021	2020
Operating activities		
Net income (loss)	\$ 11,483	\$ (39,103)
Adjustments for the following items:		
Depreciation and depletion	12,190	23,863
Cash settlement of share-based payments <i>(Note 12)</i>	(36)	(39)
Share-based payment expense <i>(Note 12)</i>	3,134	331
Current and deferred income tax expense (recovery) <i>(Note 18)</i>	9,676	(1,724)
Income tax payments	(3,531)	(10,352)
Environmental and asset retirement obligations payments <i>(Note 10)</i>	(2,307)	—
Unrealized foreign exchange loss	67	5,531
Write-off of mineral properties	—	8,449
Finance expense, net <i>(Note 17)</i>	16,956	13,029
Net change in non-cash working capital <i>(Note 21)</i>	3,028	(5,322)
Cash flows from (used by) operating activities	\$ 50,660	\$ (5,337)
Investing activities		
Addition of property, plant and equipment and mineral properties <i>(Notes 6 and 7)</i>	\$ (14,191)	\$ (5,039)
Cash flows used by investing activities	\$ (14,191)	\$ (5,039)
Financing activities		
Proceeds from debt <i>(Note 11)</i>	\$ —	\$ 5,885
Repayment of debt <i>(Note 11)</i>	(611)	(1,931)
Repayment of principal portion of lease liabilities <i>(Note 12)</i>	(1,948)	(2,167)
Payment of interest expense <i>(Note 11)</i>	(8,694)	(4,519)
Cash flows used by financing activities	\$ (11,253)	\$ (2,732)
Effect of foreign exchange of non-US Dollar denominated cash	\$ 117	\$ (280)
Increase (decrease) in cash	25,333	(13,388)
Cash, beginning of period	9,539	29,109
Cash, end of period	\$ 34,872	\$ 15,721

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2020

The amounts contained in these Interim Financial Statements are in thousands of US Dollars except for number shares, per share amounts, number of restricted share units (“RSUs”) and as otherwise noted.

1. GENERAL COMPANY INFORMATION

Itafos Inc. (the “Company”) is a phosphate and specialty fertilizer company. The Company’s businesses and projects are as follows:

- Conda – a vertically integrated phosphate fertilizer business with capacity to produce monoammonium phosphate (“MAP”), MAP with micronutrients (“MAP+”), superphosphoric acid (“SPA”), merchant grade phosphoric acid (“MGA”) and ammonium polyphosphate (“APP”) located in Idaho, US;
- Arraias – a vertically integrated phosphate fertilizer business with capacity to produce single superphosphate (“SSP”), SSP with micronutrients (“SSP+”) and excess sulfuric acid located in Tocantins, Brazil;
- Farim – a high-grade phosphate mine project located in Farim, Guinea-Bissau;
- Santana – a vertically integrated high-grade phosphate mine and fertilizer plant project located in Pará, Brazil;
- Araxá – a vertically integrated rare earth elements and niobium mine and extraction plant project located in Minas Gerais, Brazil;
- Paris Hills – a phosphate mine project located in Idaho, US (wind down in process); and
- Mantaro – a phosphate mine project located in Junin, Peru (wind down in process).

As at June 30, 2021, the Company was a Cayman Islands corporation. On July 1, 2021, the Company completed a redomiciliation from the Cayman Islands to the US. The redomiciliation was implemented as a continuation of the Company’s jurisdiction of incorporation from the Cayman Islands to the State of Delaware. In connection with the redomiciliation, the Company has changed its name from Itafos to Itafos Inc. The Company is headquartered in Houston, TX (see Note 24). The Company’s shares trade on the TSX Venture Exchange under the ticker symbol “IFOS”. The Company’s principal shareholder is CL Fertilizers Holding LLC (“CLF”). CLF is an affiliate of Castlelake, L.P., a global private investment firm. CLF is a related party (see Note 22).

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 for the year ended December 31, 2020 (the “Audited Financial Statements”), 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 Company’s Board of Directors on August 25, 2021.

GOING CONCERN BASIS

These Interim Financial Statements have been prepared and presented under the historical cost convention and on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

BASIS OF PRESENTATION

As at December 31, 2020, the Company reclassified equity between shareholder's equity and non-controlling interest ("NCI") as at December 31, 2019 in the Company's condensed consolidated statements of changes in equity to conform with the basis used to calculate NCI in the current period (see NCI in this Note 2 below).

NCI

As at June 30, 2021 and December 31, 2020, the Company had NCI as follows:

	Company interests	NCI
Itafos Arraias Mineracao e Fertilizantes S.A.	98.3%	1.7%
Itafos Santana Mineracao e Fertilizantes S.A.	99.4%	0.6%

As at December 31, 2020, the Company reclassified equity between shareholders' equity and NCI as at December 31, 2019 in the Company's condensed consolidated statements of changes in equity to conform with the basis used to calculate NCI in the current period as follows:

<i>(in thousands of US Dollars)</i>	<i>As at December 31, 2019</i>		
	Original	Reclassification	Current
Shareholders' equity	\$ 133,197	\$ 9,062	\$ 142,259
Non-controlling interest	9,062	(9,062)	—

CURRENCIES

The Company's presentation and functional currency is US Dollars ("\$\$") (see Note 22).

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 Financial Statements, where applicable.

NEW ACCOUNTING STANDARDS EFFECTIVE IN 2021

The IASB issued certain new accounting standards or amendments that are mandatory for accounting periods after December 31, 2020, including Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The Company concluded that the effect of such new accounting standards or amendments did not have a material impact and therefore did not record any adjustments to these Interim Financial Statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Except as noted below, the critical accounting estimates and judgments included in the Company's Audited Financial Statements remain applicable for these Interim Financial Statements.

CRITICAL JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

Impact of the Coronavirus Disease 2019 (“COVID-19”) Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The Company is closely monitoring potential risks to its operations as a result of the COVID-19 pandemic, including factors that could impact production or demand for its products. Despite near-term uncertainties, the Company is not currently projecting any material impact on its operations or financial outlook as a result of the COVID-19 pandemic (see Note 23). In response to the COVID-19 pandemic, the Company has implemented working practices at its businesses and projects to address potential impacts to its employees, contractors and operations and will take further measures in the future, if required.

Carrying Values and Impairment Charges

Whenever indications of impairment exist, the Company estimates the recoverable amount of the asset in order to compare such estimated recoverable amount to its carrying value. Calculating estimated recoverable amounts requires management to make estimates and assumptions relying on its judgment and taking into account information available at the end of each reporting period. Changes in any of the estimates or assumptions considered in estimating the recoverable amounts could have an impact on the results and conclusions of the impairment assessment.

KEY SOURCES OF ESTIMATION UNCERTAINTY IN THE APPLICATION OF ACCOUNTING POLICIES

Environmental and Asset Retirement Obligations

The Company recognizes the present value of its environmental and asset retirement obligations in the period in which they are incurred and when reasonable estimate of the fair value of such obligations can be made. The estimated future cash costs of such obligations are based primarily upon environmental and regulatory requirements of the various jurisdictions in which the Company operates as well as any other constructive obligations that exist. The liability represents management's best estimates of cash required to settle the liability, inflation, assumptions of risks associated with future cash flows and the applicable risk-free interest rates for discounting the future cash outflow. Changes in the above factors can result in a change to the liability recognized by the Company. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Income Tax

The Company is subject to income taxes in numerous jurisdictions. The Company's income tax expense and deferred tax assets and liabilities represent management's best estimates of current and future taxes to be paid. Significant judgments and estimates are required in the calculation of the Company's income tax expense, including applying tax laws and regulations, calculating tax deductions such as tax depletion, estimating the timing of the reversals of temporary differences and estimating the realizability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities and current and deferred income tax expense. The actual future income tax expense and deferred tax assets and liabilities may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in tax laws and/or rates in the future.

5. INVENTORIES

As at June 30, 2021 and December 31, 2020, the Company had inventories as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Finished goods	\$ 5,493	\$ 13,341
Work in process	158	2,480
Raw materials	69,338	61,879
Spare parts	15,082	17,286
Inventories, net	\$ 90,071	\$ 94,986
Less: current portion	(88,520)	(93,435)
Long-term inventories, net	\$ 1,551	\$ 1,551

As at June 30, 2021 and December 31, 2020, the Company had non-current inventories related to raw materials at Arraias.

6. PROPERTY, PLANT AND EQUIPMENT

As at June 30, 2021 and December 31, 2020, 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, 2020	\$ 24,699	\$ 133,698	\$ 160,781	\$ 45,319	\$ 364,497
Additions	—	12,675	2,056	6,344	21,075
Disposals/transfers	—	—	—	—	—
Balance as at June 30, 2021	\$ 24,699	\$ 146,373	\$ 162,837	\$ 51,663	\$ 385,572
Accumulated depreciation					
Balance as at December 31, 2020	\$ —	\$ 34,023	\$ 125,405	\$ —	\$ 159,428
Additions	—	1,077	6,384	—	7,461
Disposals/transfers	—	—	—	—	—
Balance as at June 30, 2021	\$ —	\$ 35,100	\$ 131,789	\$ —	\$ 166,889
Property, plant and equipment, net					
Balance as at December 31, 2020	\$ 24,699	\$ 99,675	\$ 35,376	\$ 45,319	\$ 205,069
Balance as at June 30, 2021	\$ 24,699	\$ 111,273	\$ 31,048	\$ 51,663	\$ 218,683

As at June 30, 2021 and December 31, 2020, the balances of property, plant and equipment include capitalized interest of \$12,292.

IFRS 16 – RIGHT-OF-USE ASSETS

As at June 30, 2021 and December 31, 2020, 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			
Balance as at December 31, 2020	\$ 511	\$ 21,644	\$ 22,155
Additions	367	—	367
Disposals/expirations	—	—	—
Balance as at June 30, 2021	\$ 878	\$ 21,644	\$ 22,522
Accumulated depreciation			
Balance as at December 31, 2020	167	7,433	7,600
Additions	71	1,800	1,871
Disposals/expirations	—	—	—
Balance as at June 30, 2021	\$ 238	\$ 9,233	\$ 9,471
Right-of-use assets, net			
Balance as at December 31, 2020	\$ 344	\$ 14,211	\$ 14,555
Balance as at June 30, 2021	\$ 640	\$ 12,411	\$ 13,051

The Company is unable to quantify the value of certain of its right-of-use assets because the lease payments are variable and not dependent upon an index or rate. In such cases, the Company did not recognize a right-of-use asset or corresponding lease liability. For the three and six months ended June 30, 2021, the Company had \$3,872 and \$7,929 of costs related to variable lease payments that are not dependent on an index or rate, respectively.

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 months ended June 30, 2021 and 2020, the Company's costs related to short-term leases of low-value assets were not material.

7. MINERAL PROPERTIES

As at June 30, 2021 and December 31, 2020, 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, 2020	\$ 88,237	\$ 71,442	\$ (31,749)	\$ 127,930
Additions	1,902	583	—	2,485
Depletion	—	—	(5,085)	(5,085)
Balance as at June 30, 2021	\$ 90,139	\$ 72,025	\$ (36,834)	\$ 125,330

8. OTHER ASSETS

As at June 30, 2021 and December 31, 2020, the Company had other assets as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Tax credits	\$ 7,774	\$ 10,525
Prepaid expenses	2,562	4,346
Deposits	1,432	1,334
Advances to suppliers	265	295
Other	214	127
Other assets	\$ 12,247	\$ 16,627
Less: current portion	(7,969)	(9,568)
Other non-current assets	\$ 4,278	\$ 7,059

As at June 30, 2021 and December 31, 2020, the Company had other current assets as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Tax credits	\$ 4,424	\$ 4,295
Prepaid expenses	2,562	4,346
Advances to suppliers	265	295
Deposits	500	500
Other	218	132
Other current assets	\$ 7,969	\$ 9,568

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at June 30, 2021 and December 31, 2020, the Company had accounts payable and accrued liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Trade payables	\$ 19,121	\$ 23,071
Taxes payable	11,703	8,492
Accrued liabilities and other	15,521	8,020
Payroll and related taxes payable	5,258	6,226
Rebates	3,650	2,565
Other payables	3,425	2,612
Accounts payable and accrued liabilities	\$ 58,678	\$ 50,986

10. PROVISIONS

As at June 30, 2021 and December 31, 2020, the Company had provisions as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Environmental and asset retirement obligations	\$ 83,595	\$ 83,194
Legal contingencies	277	309
Provisions	\$ 83,872	\$ 83,503
Less: current portion	(2,600)	(760)
Long-term provisions	\$ 81,272	\$ 82,743

For the period December 31, 2020 through June 30, 2021, the Company had changes in environmental and asset retirement obligations as follows:

		Environmental and asset retirement obligations
<i>(unaudited in thousands of US Dollars)</i>		
Balance as at December 31, 2020	\$	83,194
Additions		1,873
Payments		(2,307)
Changes		306
Accretion		529
Balance as at June 30, 2021	\$	83,595

11. DEBT

As at June 30, 2021 and December 31, 2020, the Company had debt as follows:

	June 30, 2021	December 31, 2020
<i>(unaudited in thousands of US Dollars)</i>		
Credit Facility (Note 24)	196,922	194,070
Deferred financing costs related to the Credit Facility	(2,204)	(3,272)
Promissory Note (Note 24)	38,643	35,820
Conda ABL (Note 24)	10,000	10,000
Conda equipment financings	1,160	1,549
Brazilian debentures	1,091	1,024
Canadian debentures issued to CLF	430	399
Canadian debentures issued to Banco Modal S.A.	391	603
Debt	\$ 246,433	\$ 240,193
less: current portion	(196,062)	(2,437)
Long-term debt	\$ 50,371	\$ 237,756

The Company's secured term credit facility (the "Credit Facility") bears interest at 12% per annum (9% payable in cash and 3% payable in-kind) with a bullet repayment at maturity on June 6, 2022. The Credit Facility includes financial covenants that require the Company not to exceed certain ratios as at the end of each fiscal quarter. As at June 30, 2021, the Company was in compliance with all financial covenants related to the Credit Facility (see Note 23). In addition, the Credit Facility considers certain compliance requirements including, but not limited to, a requirement to maintain minimum cash of \$1,000 throughout the term of the Credit Facility. As at June 30, 2021, the Company reclassified the Credit Facility from long-term debt to current debt (see Note 24).

The Company's unsecured and subordinated promissory note (the "Promissory Note") bears interest at 15% per annum on drawn amounts and 4% per annum on undrawn amounts and is payable on demand no earlier than six months after the date on which the Credit Facility is paid in full. As at June 30, 2021, an additional \$5,400 remained available under the Promissory Note to be drawn by the Company at its sole discretion (see Notes 22, 23 and 24).

Conda's secured working capital facility (the "Conda ABL") bears interest at a variable rate tied to the London Interbank Offered Rate ("LIBOR"), with an effective rate ranging from approximately 3-4% per annum on drawn amounts and 0.375% per annum on undrawn committed amounts with maturity on August 10, 2023. As at June 30, 2021, Conda has drawn cash of \$10,000 and posted a letter of credit of \$7,951 under the Conda ABL. As at June 30, 2021, an additional \$2,049 remained available under the Conda ABL to be drawn by Conda subject to certain terms and conditions (see Note 24).

Conda's equipment financings bear interest at 8.3% per annum with maturity on August 28, 2022 and 5.75% per annum with maturity on March 11, 2024. Such equipment financings are payable in equal monthly installments of principal and interest through maturity. During Q1 2021, Conda also repaid in full an equipment financing that bore interest at 8.3% per annum with maturity on February 28, 2021.

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

The Company's 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 (see Note 22).

The Company's Canadian debentures issued to Banco Modal S.A. ("Modal") bear interest at 7.5% per annum with four equal annual installments of principal and interest through maturity on July 28, 2021. During Q2 2021, the Company also repaid in full Canadian debentures issued to Modal that bore interest at 7.5% per annum with maturity on May 31, 2021.

For the period December 31, 2020 through June 30, 2021, 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, 2020	\$ 2,437	\$ 237,756
Capitalization of in-kind interest of the Credit Facility	—	2,898
Payment of cash interest of the Credit Facility	(8,694)	—
Accrual of cash interest of the Credit Facility	8,659	—
Change in accrued in-kind interest of the Credit Facility	—	(12)
Amortization of financing costs of the Credit Facility	—	1,068
Reclassification of the Credit Facility to current debt	193,993	(193,993)
Accrual of in kind interest of the Promissory Note	—	2,823
Repayment of Conda equipment financings	(160)	(228)
Change in Brazilian debentures	18	50
Change in Canadian debentures issued to CLF	(191)	221
Change in Canadian debentures issued to Modal	—	34
Repayment of Canadian debentures issued to Modal	—	(246)
Balance as at June 30, 2021	\$ 196,062	\$ 50,371

12. OTHER LIABILITIES

As at June 30, 2021 and December 31, 2020, the Company had other long-term liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Lease liabilities	\$ 15,777	\$ 16,742
Taxes payable	2,456	2,450
Share-based payments	2,606	384
Other	602	602
Other liabilities	\$ 21,441	\$ 20,178
Less: current portion	(2,730)	(2,812)
Other long-term liabilities	\$ 18,711	\$ 17,366

LEASE LIABILITIES

Lease liabilities reflect the present value of future payments under the terms of the leases. Amounts expected to be paid within 12 months are presented as other current liabilities and any payments expected to be paid beyond 12 months are included in other long-term liabilities.

As at June 30, 2021, and December 31, 2020, the Company had other current liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Lease liabilities	\$ 2,730	\$ 2,812
Other current liabilities	\$ 2,730	\$ 2,812

As at June 30, 2021, the Company had total future contractual payments for leases recognized under IFRS 16 as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021
Within 1 year	\$ 2,730
Between 2 and 3 years	7,277
Between 4 and 5 years	4,717
After 5 years	4,587
Total contractual payments	\$ 19,311

For the period December 31, 2020 through June 30, 2021 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, 2020	2,812	13,930
New leases commenced	—	367
Interest accrual on the leases	616	—
Lease payments	(698)	(1,250)
Balance as at June 30, 2021	\$ 2,730	\$ 13,047

TAXES PAYABLE

As at June 30, 2021 and December 31, 2020, taxes payable were primarily related to the taxes payable to the Brazilian tax authorities resulting from intercompany loans between the Company's subsidiaries.

SHARE-BASED PAYMENTS

As at June 30, 2021 and December 31, 2020, share-based payments were related to RSUs granted by the Company under its restricted share unit plan (the "RSU Plan").

As at June 30, 2021, the Company had 7,415,756 RSUs outstanding and 6,626,927 RSUs available for issuance under its RSU Plan. As at December 31, 2020, the Company had 5,444,829 RSUs outstanding and 10,354,983 RSUs available for issuance under its RSU Plan.

For the period December 31, 2020 through June 30, 2021, the Company had changes in RSUs as follows:

<i>(in number of RSUs)</i>	RSUs
Balance as at December 31, 2020	5,444,829
Granted	3,761,637
Cash settled	(74,597)
Vested	(1,682,532)
Forfeited	(33,581)
Balance as at June 30, 2021	7,415,756

For the six months ended June 30, 2021, the Company granted 3,761,637 RSUs under its RSU Plan, including 305,326 RSUs granted to directors, 1,559,777 RSUs granted to management and 1,896,534 RSUs granted to employees and contractors.

For the six months ended June 30, 2021, the Company cash settled 74,597 for \$36 due to vesting under its RSU Plan. For the six months ended June 30, 2020, the Company cash settled 100,928 RSUs for \$39 due to vesting under its RSU Plan (see Note 13).

For the six months ended June 30, 2021, the Company issued 1,299,662 shares (net of 382,870 shares withheld to pay applicable taxes) due to vesting under its RSU Plan. For the six months ended June 30, 2020, the Company issued 1,911,759 shares (net of 403,835 shares withheld to pay applicable taxes) due to vesting under its RSU Plan.

For the three months ended June 30, 2021 and 2020, the Company had share-based payment expense of \$1,843 and \$76, respectively. For the six months ended June 30, 2021 and 2020, the Company had share-based payment expense of \$3,134 and \$331, respectively (see Note 15).

13. SHARE CAPITAL

AUTHORIZED CAPITAL

As at June 30, 2021, the Company was authorized to issue up to 5,000,000,000 shares with a par value of 0.001 Canadian Dollars per share.

As at July 1, 2021, following the Company's redomiciliation from the Cayman Islands to the US, the Company is authorized to issue up to 5,000,000,000 shares, consisting of 4,000,000,000 shares of common stock and 1,000,000,000 shares of preferred stock, each with a par value of 0.00001 US Dollars per share (see Notes 1 and 24).

SHARES ISSUED AND OUTSTANDING

As at June 30, 2021 and December 31, 2020, the Company had 186,762,486 and 185,462,284 shares issued and outstanding, respectively. As at June 30, 2021 and December 31, 2020, CLF beneficially owned and controlled 124,961,722 shares of the Company, representing approximately 66.9% and 67.4% of the issued and outstanding shares on an undiluted basis, respectively (see Notes 1 and 22).

For the three months ended June 30, 2021, the Company issued 34,042 shares (net of 10,958 shares withheld to pay applicable taxes) due to vesting under its RSU Plan (see Notes 3 and 12). For the six months ended June 30, 2021, the Company issued 1,299,662 shares (net of 382,870 shares withheld to pay applicable taxes) due to vesting under its RSU Plan (see Notes 3 and 12).

For the three months ended June 30, 2020, the Company issued 11,347 shares (net of 3,653 shares withheld to pay applicable taxes) due to vesting under its RSU Plan. For the six months ended June 30, 2020, the Company issued 1,911,759 shares (net of 403,835 shares withheld to pay applicable taxes) due to vesting under its RSU Plan.

On January 31, 2020, the Company issued 5,000,000 shares to lenders of the Credit Facility in exchange for eliminating additional interest of 1% per annum payable in cash for each quarter that the Company's consolidated secured leverage ratio is equal to or greater than 4.00:1.00 at the end of such quarter (see Notes 11 and 22).

WEIGHTED-AVERAGE NUMBER OF SHARES

For the three and six months ended June 30, 2021 and 2020, the Company had weighted-average number of shares and potentially dilutive RSUs as follows:

<i>(in number of shares)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2021	2020	2021	2020
Weighted-average number of shares	186,750,515	185,459,956	185,670,141	183,039,606
Weighted-average number of potentially dilutive RSUs	2,152,018	1,451,914	2,152,018	1,451,914
Diluted weighted-average number of shares	188,902,533	186,911,870	187,822,159	184,491,520

For the three and six months ended June 30, 2021, the Company recorded net income. Accordingly, all potentially dilutive RSUs were included in the diluted weighted average number of shares.

For the three and six months ended June 30, 2020, the Company incurred net loss. Accordingly, all potentially dilutive RSUs were excluded from the diluted weighted average number of shares as these instruments were anti-dilutive.

NCI

As at June 30, 2021 and December 31, 2020, the Company had NCI of \$754 (see Note 2).

14. REVENUES

For the three and six months ended June 30, 2021 and 2020, Conda had revenues as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2021	2020	2021	2020
MAP	\$ 46,133	\$ 22,364	\$ 81,718	\$ 54,196
MAP+	7,529	1,371	17,906	2,337
SPA	44,588	32,558	87,082	69,464
MGA	206	195	477	680
APP	4,860	5,460	6,275	6,203
Revenues	\$ 103,316	\$ 61,948	\$ 193,458	\$ 132,880

For the three months ended June 30, 2021 and 2020, Conda had two customers that individually accounted for more than 10% of Conda's total revenues. For the three months ended June 30, 2021, these two customers represented approximately 58% and 11%, respectively of Conda's total revenues. For the three months ended June 30, 2020 these two customers represented approximately 45% and 13%, respectively of Conda's total revenues.

For the six months ended June 30, 2021 and 2020, Conda had two customers that individually accounted for more than 10% of Conda's total revenues. For the six months ended June 30, 2021, these two customers represented approximately 53% and 13%, respectively of Conda's total revenues. For the six months ended June 30, 2020 these two customers represented approximately 45% and 13%, respectively of Conda's total revenues.

For the three and six months ended June 30, 2021 and 2020, Arraias had revenues as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the three months ended June 30,</i>		<i>For the six months ended June 30,</i>	
	2021	2020	2021	2020
SSP	\$ —	\$ 163	\$ —	\$ 3,671
SSP+	—	—	—	453
Excess sulfuric acid	—	—	—	468
Revenues	\$ —	\$ 163	\$ —	\$ 4,592

For the three months ended June 30, 2020, Arraias had one customer that individually accounted for more than 10% of Arraias' total revenues. For the three months ended June 30, 2020, this one customer represented approximately 53% of Arraias' total revenues.

For the six months ended June 30, 2020, Arraias had one customer that individually accounted for more than 10% of Arraias' total revenues. For the six months ended June 30, 2020, this one customer represented approximately 16% of Arraias' total revenues.

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the three and six months ended June 30, 2021 and 2020, the Company had selling, general and administrative expenses 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>	
	2021	2020	2021	2020
Payroll expenses	\$ 3,164	\$ 2,172	\$ 5,705	\$ 4,607
Professional fees	1,716	682	2,235	2,009
Share-based payments expense	1,843	76	3,134	331
Insurance expenses	296	447	548	818
Office, travel and general administrative expense	514	597	1,355	1,738
Director fees	147	188	293	583
Selling, general and administrative expenses	\$ 7,680	\$ 4,162	\$ 13,270	\$ 10,086

16. FOREIGN EXCHANGE GAIN (LOSS)

For the three months ended June 30, 2021 and 2020, the Company recognized a foreign exchange gain (loss) of \$129 and \$(2,531), respectively. For the six months ended June 30, 2021 and 2020, the Company recognized a foreign exchange gain (loss) of \$58 and \$(5,631), respectively. These amounts are primarily comprised of the gain or loss resulting from remeasuring monetary items denominated in Brazilian Reals and Canadian Dollars (see Note 23).

17. FINANCE EXPENSE (INCOME)

For the three and six months ended June 30, 2021 and 2020, the Company had finance expense (income) 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>	
	2021	2020	2021	2020
Interest expense	\$ 7,442	\$ 6,994	\$ 14,744	\$ 12,634
Interest capitalized in property, plant and equipment	—	(827)	—	(1,614)
Amortization of deferred financing costs related to the Credit Facility	548	445	1,068	866
Environmental and asset retirement obligation accretion expense	269	327	529	654
Interest on lease liabilities	305	5	616	501
Interest income	—	(3)	(1)	(12)
Finance expense, net	\$ 8,564	\$ 6,941	\$ 16,956	\$ 13,029

18. INCOME TAXES

For the three and six months ended June 30, 2021 and 2020, 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 June 30,</i>		<i>For the six months ended June 30,</i>	
	2021	2020	2021	2020
Current income tax expense	\$ 4,678	\$ 1,452	\$ 9,378	\$ 2,115
Deferred income tax expense (recovery)	2,321	(1,301)	298	(3,839)
Total current and deferred income tax expense (recovery)	\$ 6,999	\$ 151	\$ 9,676	\$ (1,724)
Actual effective tax rate (%)	42	(0.7)	46	4

DEFERRED TAX ASSETS

As at June 30, 2021 and December 31, 2020, the Company had deferred tax assets as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Payroll and related taxes payable	\$ 681	\$ 932
Mineral properties	14,196	12,339
Deferred tax assets	\$ 14,877	\$ 13,271
Offset of deferred tax liabilities	(13,911)	(12,067)
Deferred tax assets, net	\$ 966	\$ 1,204

As at June 30, 2021 and December 31, 2020, the Company had related deferred tax assets and liabilities at Conda, which have been presented on a net basis.

As at June 30, 2021, the Company had changes in deferred tax assets as follows:

<i>(unaudited in thousands of US Dollars)</i>	Payroll and related taxes payable	Mineral properties	Total deferred tax assets
Balance as at December 31, 2020	\$ 932	\$ 12,339	\$ 13,271
Charge (credit) to profit or loss	(251)	1,857	1,606
Balance as at June 30, 2021	\$ 681	\$ 14,196	\$ 14,877

The Company has not recognized a deferred tax asset for its tax losses. As at June 30, 2021, the Company had tax losses as follows:

- Brazilian tax losses of approximately \$492,402 that may be carried forward indefinitely; and
- US tax losses of approximately \$49,034, of which \$8,935 may be carried forward indefinitely and \$40,099 may be carried forward for 20 years from the year generated.

DEFERRED TAX LIABILITIES

As at June 30, 2021 and December 31, 2020, the Company had deferred tax liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Property, plant and equipment	\$ 11,566	\$ 9,829
Inventories	2,345	2,238
Deferred tax liabilities	\$ 13,911	\$ 12,067
Offset of deferred tax liabilities	(13,911)	(12,067)
Deferred tax liabilities, net	\$ —	\$ —

As at June 30, 2021 and December 31, 2020, the Company had related deferred tax assets and liabilities at Conda, which have been presented on a net basis.

As at June 30, 2021, the Company had changes in deferred tax liabilities as follows:

<i>(unaudited in thousands of US Dollars)</i>	Property, plant and equipment	Inventories	Total deferred tax liabilities
Balance as at December 31, 2020	\$ 9,829	\$ 2,238	\$ 12,067
Charge to profit or loss	1,737	107	1,844
Balance as at June 30, 2021	\$ 11,566	\$ 2,345	\$ 13,911

19. COMMITMENTS AND CONTINGENCIES

LEGAL 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 liability (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, 2021, 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 June 30, 2021, the Company has currently accrued \$277 in relation to labor and other claims that have been made (see Note 10). The ultimate outcome of these claims is uncertain at this time and management is defending its position in each case.

CONDA GUARANTEES

Conda's operating and environmental permits require certain obligations related to environmental and reclamation activities to be guaranteed. As at June 30, 2021, Conda's guarantee requirements were \$39,757 for which Conda has purchased surety bonds. As at June 30, 2021, Conda had posted a letter of credit of \$7,951 under the Conda ABL as collateral for such surety bonds (see Note 11). During Q2 2021, as part of standard regulatory reviews by the respective governmental agencies, Conda received requests for additional guarantees of \$11,723. Conda is in process of implementing the requested incremental guarantees (see Note 24).

20. SEGMENT REPORTING

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

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

For the three months ended June 30, 2021 and 2020

For the three months ended June 30, 2021, the Company had net income (loss) by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Conda		Arraias		Development and exploration		Corporate		Total
Revenues	\$	103,316	\$	—	\$	—	\$	—	\$ 103,316
Cost of goods sold		70,074		636		—		—	70,710
Gross Margin	\$	33,242	\$	(636)	\$	—	\$	—	\$ 32,606
Selling, general and administrative expenses		1,266		415		435		5,564	7,680
Operating income (loss)	\$	31,976	\$	(1,051)	\$	(435)	\$	(5,564)	\$ 24,926
Foreign exchange gain (loss)		51		392		(566)		252	129
Other income (expense), net		(8)		50		—		—	42
Gain on asset disposal		—		48		—		—	48
Finance expense, net		(697)		(7)		(2)		(7,858)	(8,564)
Income (loss) before income taxes	\$	31,322	\$	(568)	\$	(1,003)	\$	(13,170)	\$ 16,581
Current and deferred income tax expense		6,952		—		—		47	6,999
Net income (loss)	\$	24,370	\$	(568)	\$	(1,003)	\$	(13,217)	\$ 9,582

For the three months ended June 30, 2020, the Company had net income (loss) by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Conda		Arraias		Development and exploration		Corporate		Total
Revenues	\$	61,948	\$	163	\$	—	\$	—	\$ 62,111
Cost of goods sold		57,824		2,252		—		—	60,076
Write-off of mineral properties		—		—		8,449		—	8,449
Gross margin	\$	4,124	\$	(2,089)	\$	(8,449)	\$	—	\$ (6,414)
Selling, general and administrative expenses		825		408		494		2,435	4,162
Operating income (loss)	\$	3,299	\$	(2,497)	\$	(8,943)	\$	(2,435)	\$ (10,576)
Foreign exchange gain (loss)		38		(2,898)		218		111	(2,531)
Other income		—		14		6		—	20
Loss on asset disposal		—		(635)		—		—	(635)
Finance (income) expense, net		46		(4)		(3)		(6,980)	(6,941)
Income (loss) before income taxes	\$	3,383	\$	(6,020)	\$	(8,722)	\$	(9,304)	\$ (20,663)
Current and deferred income tax expense (recovery)		(45)		—		—		196	151
Net income (loss)	\$	3,428	\$	(6,020)	\$	(8,722)	\$	(9,500)	\$ (20,814)

For the six months ended June 30, 2021 and 2020

For the six months ended June 30, 2021, the Company had net income (loss) by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Conda		Arraias		Development and exploration		Corporate		Total
Revenues	\$	193,458	\$	—	\$	—	\$	—	\$ 193,458
Cost of goods sold		141,087		1,236		—		—	142,323
Gross margin	\$	52,371	\$	(1,236)	\$	—	\$	—	\$ 51,135
Selling, general and administrative expenses		2,341		764		932		9,233	13,270
Operating income (loss)	\$	50,030	\$	(2,000)	\$	(932)	\$	(9,233)	\$ 37,865
Foreign exchange gain (loss)		113		83		(469)		331	58
Other income (expense), net		(8)		61		91		—	144
Gain on asset disposal		—		48		—		—	48
Finance expense, net		(1,423)		(12)		(3)		(15,518)	(16,956)
Income (loss) before income taxes	\$	48,712	\$	(1,820)	\$	(1,313)	\$	(24,420)	\$ 21,159
Current and deferred income tax expense		9,578		—		—		98	9,676
Net income (loss)	\$	39,134	\$	(1,820)	\$	(1,313)	\$	(24,518)	\$ 11,483

For the six months ended June 30, 2020, the Company had net income (loss) by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Conda		Arraias		Development and exploration		Corporate		Total
Revenues	\$	132,880	\$	4,592	\$	—	\$	—	\$ 137,472
Cost of goods sold		128,923		12,833		—		—	141,756
Write-off of mineral properties		—		—		8,449		—	8,449
Gross margin	\$	3,957	\$	(8,241)	\$	(8,449)	\$	—	\$ (12,733)
Selling, general and administrative expenses		1,894		1,383		1,305		5,504	10,086
Operating loss	\$	2,063	\$	(9,624)	\$	(9,754)	\$	(5,504)	\$ (22,819)
Foreign exchange gain (loss)		153		(6,589)		669		136	(5,631)
Other income (expense), net		(1)		1,289		(4)		3	1,287
Loss on asset disposal		—		(635)		—		—	(635)
Finance (income) expense, net		21		(13)		(4)		(13,033)	(13,029)
Income (loss) before income taxes	\$	2,236	\$	(15,572)	\$	(9,093)	\$	(18,398)	\$ (40,827)
Current and deferred income tax expense (recovery)		(2,147)		—		—		423	(1,724)
Net income (loss)	\$	4,383	\$	(15,572)	\$	(9,093)	\$	(18,821)	\$ (39,103)

As at June 30, 2021, the Company had total assets and total liabilities by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Conda		Arraias		Development and exploration		Corporate		Total
Total assets	\$	291,216	\$	133,899	\$	75,702	\$	4,286	\$ 505,103
Total liabilities	\$	153,087	\$	13,165	\$	3,410	\$	240,859	\$ 410,521

As at December 31, 2020, the Company had total assets and total liabilities by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Conda		Arraias		Development and exploration		Corporate		Total
Total assets	\$	263,092	\$	136,300	\$	75,246	\$	2,666	\$ 477,304
Total liabilities	\$	142,801	\$	15,556	\$	3,236	\$	233,288	\$ 394,881

As at June 30, 2021 and December 31, 2020, the Company had property, plant and equipment and mineral properties by segment as follows:

<i>(unaudited in thousands of US Dollars)</i>	Conda		Arraias		Development and exploration		Corporate		Total
Balance as at June 30, 2021	\$	149,405	\$	119,346	\$	74,707	\$	555	\$ 344,013
Balance as at December 31, 2020	\$	139,805	\$	118,826	\$	74,159	\$	209	\$ 332,999

As at June 30, 2021 and December 31, 2020, the Company had property, plant and equipment and mineral properties by region as follows:

<i>(unaudited in thousands of US Dollars)</i>	June 30, 2021	December 31, 2020
Brazil (South America)	\$ 128,351	\$ 127,781
US (North America)	149,941	140,015
Guinea-Bissau (Africa)	65,721	65,203
Property, plant and equipment, and mineral properties, net	\$ 344,013	\$ 332,999

21. NET CHANGE IN NON-CASH WORKING CAPITAL

For the six months June 30, 2021 and 2020, the Company had net change in non-cash working capital as follows:

<i>(unaudited in thousands of US Dollars)</i>	<i>For the six months ended June 30,</i>	
	2021	2020
Accounts receivable	\$ (650)	\$ 6,599
Inventories, net	6,659	10,903
Other assets and prepaids	7,536	7,017
Accounts payable and accrued liabilities	(12,332)	(31,260)
Other liabilities and provisions	1,815	1,419
Net change in non-cash working capital	\$ 3,028	\$ (5,322)

22. RELATED PARTY TRANSACTIONS

The Company's related party transactions include key management compensation and debt from CLF, its principal shareholder (see Note 1).

KEY MANAGEMENT COMPENSATION

Key management compensation considers amounts the Company has paid or accrued as payable to key management, including directors and officers of the Company.

For the three and six months ended June 30, 2021 and 2020, 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>	
	2021	2020	2021	2020
Management compensation	\$ 548	\$ 193	\$ 838	\$ 1,044
Director fees	147	188	293	583
Share-based payments	26	2	282	378
Non-recurring compensation payments	—	—	—	179
Other benefits	26	12	43	23
Key management compensation	\$ 747	\$ 395	\$ 1,456	\$ 2,207

RELATED PARTY DEBT

As at June 30, 2021 and December 31, 2020, the Company had related party debt as follows:

<i>(unaudited in thousands of US Dollars)</i>		June 30, 2021		December 31, 2020
CLF participation in the Credit Facility <i>(Note 24)</i>	\$	41,500	\$	31,372
Promissory Note <i>(Note 24)</i>		38,643		35,820
Canadian debentures issued to CLF		430		399
Related party debt	\$	80,573	\$	67,591

On January 31, 2020, the Company issued 5,000,000 shares to lenders of the Credit Facility, of which CLF received 812,506 based on its pro-rata debt holding of the Credit Facility (see Notes 11 and 13).

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 months ended June 30, 2021 and 2020, 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 3 of the fair value hierarchy. As at June 30, 2021 and December 31, 2020, the Company's long-term debt was stated at an amortized cost of \$50,371 and \$237,756, respectively and had a fair value of \$49,815 and \$205,261, respectively.

RISK FACTORS

Except as noted below, the risk factors included in the Company's Audited Financial Statements remain applicable for these Interim Financial Statements.

Liquidity Risk

The Company is not currently projecting any material impact on its operations or financial outlook as a result of the COVID-19 pandemic. However, the Company is closely monitoring potential risks to its operations, including factors that could impact production or demand for its products as such factors could have a material impact on the Company's cash flow from operations, which could result in a cash shortfall unless otherwise remedied (see Note 2).

As at June 30, 2021, the Company had cash and cash equivalents of \$34,872. As at June 30, 2021, an additional \$5,400 remaining available under the Promissory Note to be drawn by the Company at its sole discretion and an additional \$2,049 remained available under the Conda ABL to be drawn by Conda subject to certain terms and conditions (see Notes 11, 22 and 24).

Financial Covenant Risk

The Credit Facility includes financial covenants that require the Company not to exceed certain ratios as at the end of each fiscal quarter. The financial covenants considered in the Credit Facility include requirements for the Company to maintain a consolidated secured leverage ratio and achieve a minimum level of EBITDA at Conda (see Notes 2, 11 and 24).

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

Redomiciliation

On July 1, 2021, the Company completed a redomiciliation from the Cayman Islands to the US. The redomiciliation was implemented as a continuation of the Company's jurisdiction of incorporation from the Cayman Islands to the State of Delaware. In connection with the redomiciliation, the Company changed its name from Itafos to Itafos Inc. (see Note 1).

Refinancing

On August 25, 2021, the Company closed a three-year \$205,000 secured term loan (the "Term Loan"). The proceeds of the Term Loan were used to repay the Credit Facility and to pay related transaction costs and fees. In connection with the closing of the Term Loan, the Company also completed an amendment to the Conda ABL to increase the commitment amount from \$20,000 to \$40,000 and extend the term, among other modifications as detailed below. Also in connection with the closing of the Term Loan, the Company completed an amendment to the Promissory Note to cancel the remaining availability and extend the term, among other modifications as detailed below.

Term Loan

The key terms of the Term Loan are as follows:

- principal amount of \$205,000;
- term of three years;
- interest rate of 8.25% per annum plus LIBOR, subject to a floor of 1.00%, with interest payments payable in cash on a quarterly basis;
- amortization of 15% per annum with principal payments payable on a quarterly basis and a one-time principal payment on or before 15 months after the closing date in an amount sufficient to reduce the outstanding principal balance to \$155,000 or less; and
- other terms, financial covenants, fees and cost reimbursements standard and customary for similar agreements.

The guarantors to the Term Loan include various subsidiaries of the Company (the "Guarantors"). The Term Loan is secured by all assets of the Company and the Guarantors.

Amendment to Conda ABL

The key terms of the amendment to the Conda ABL are as follows:

- commitment size increased from \$20,000 to \$40,000;
- term extended from August 7, 2023 to the earlier of August 25, 2024 and 91 days before the maturity of the Term Loan (if the Term Loan is outstanding on such date);
- collateral expanded from accounts receivable, inventory and cash pledged by Conda to include a second lien on all other assets of the Company and the Guarantors; and
- other modifications to conform terms and conditions with the Term Loan.

Other key terms of the Conda ABL, including the interest rate, were not amended.

Amendment to Promissory Note

The key terms of the amendment to the Promissory Note are as follows:

- commitment amount reduced from \$36,000 to \$30,600, which cancelled the previously remaining availability of \$5,400;
- term extended from payable on demand no earlier than six months after the date on which the Credit Facility is paid in full to payable on demand after the later of (i) August 25, 2024 or (ii) six months after the date on which the Term Loan and the Conda ABL are paid in full and commitments under the Conda ABL are terminated; however, if the obligations under the Term Loan and the Conda ABL are accelerated, then the Promissory Note would become payable on demand;
- interest rate per annum increased from 15% to 18% starting on August 25, 2022 if the Company has not repaid at least \$20,000 under the Promissory Note by such date;
- amendment fee of 4% of the principal amount payable in kind at closing;
- exit fee of 4% payable in cash upon any payment of principal; and
- other terms and cost reimbursements standard and customary for similar agreements.

Conda Guarantees

Subsequent to June 30, 2021, as part of standard regulatory reviews by the respective governmental agencies, Conda received requests for additional guarantees of \$33,599. Conda is in process of implementing an aggregate total of \$45,322 of incremental guarantees consisting of \$11,723 of incremental guarantees requested during Q2 2021 and \$33,599 of incremental guarantees requested subsequent to June 30, 2021 (see Note 19).

RSUs

Subsequent to June 30, 2021, the Company issued 52,356 shares (net of 25,829 shares withheld to pay applicable taxes) due to vesting under its RSU Plan.
