



**Unaudited Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
November 8, 2023**

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT SEPTEMBER 30, 2023 AND DECEMBER 31, 2022**

| <i>(unaudited in thousands of US Dollars)</i> | September 30, 2023 | December 31, 2022 |
|-----------------------------------------------|-----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 36,351 | \$ 42,811 |
| Accounts receivable | 35,609 | 22,892 |
| Inventories, net | 119,442 | 122,335 |
| Other current assets | 7,794 | 10,363 |
| Total current assets | \$ 199,196 | \$ 198,401 |
| Long-term inventories, net | 1,305 | 1,305 |
| Property, plant and equipment, net | 274,897 | 294,040 |
| Mineral properties, net | 140,150 | 116,736 |
| Deferred tax assets, net (Note 12) | 10,341 | — |
| Other long-term assets | 3,342 | 3,527 |
| Total non-current assets | \$ 430,035 | \$ 415,608 |
| Total assets | \$ 629,231 | \$ 614,009 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 63,710 | \$ 60,838 |
| Provisions | 1,362 | 3,063 |
| Current debt (Note 6) | 29,130 | 29,217 |
| Contract liabilities | 528 | 987 |
| Other current liabilities | 3,078 | 2,972 |
| Total current liabilities | \$ 97,808 | \$ 97,077 |
| Long-term debt (Note 6) | 68,631 | 98,907 |
| Deferred tax liabilities, net | — | 78 |
| Long-term provisions | 139,301 | 143,981 |
| Other long-term liabilities | 16,134 | 20,848 |
| Total long-term liabilities | \$ 224,066 | \$ 263,814 |
| Total liabilities | \$ 321,874 | \$ 360,891 |
| Equity | | |
| Share capital (Note 7) | 538,727 | 536,203 |
| Contributed surplus | 246,626 | 246,626 |
| Cumulative translation adjustment reserve | 4,660 | 4,660 |
| Deficit | (483,425) | (535,140) |
| Shareholders' equity (Note 7) | \$ 306,588 | \$ 252,349 |
| Non-controlling interest | 769 | 769 |
| Total equity | \$ 307,357 | \$ 253,118 |
| Total liabilities and equity | \$ 629,231 | \$ 614,009 |

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 NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

| <i>(unaudited in thousands of US Dollars except as otherwise noted)</i> | <i>For the three months ended September 30,</i> | | <i>For the nine months ended September 30,</i> | |
|--------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------|----------------------------------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues (Note 8) | \$ 110,788 | \$ 153,187 | \$ 346,487 | \$ 458,045 |
| Cost of goods sold | 96,858 | 106,525 | 256,668 | 291,301 |
| Gross margin | \$ 13,930 | \$ 46,662 | \$ 89,819 | \$ 166,744 |
| Selling, general and administrative expenses (Note 9) | 6,341 | 5,874 | 21,464 | 22,494 |
| Operating income | \$ 7,589 | \$ 40,788 | \$ 68,355 | \$ 144,250 |
| Foreign exchange loss | (606) | (679) | (286) | (1,264) |
| Other income (expense), net (Note 10) | (9) | 855 | 122 | 8,724 |
| Finance expense, net (Note 11) | (4,307) | (22,763) | (14,741) | (40,113) |
| Income before income taxes | \$ 2,667 | \$ 18,201 | \$ 53,450 | \$ 111,597 |
| Current and deferred income tax expense (recovery) (Note 12) | (411) | 10,113 | 1,735 | 26,219 |
| Net income | \$ 3,078 | \$ 8,088 | \$ 51,715 | \$ 85,378 |
| Net income (loss) and comprehensive income (loss) attributable to non-controlling interest | — | — | — | — |
| Net Income and comprehensive income | \$ 3,078 | \$ 8,088 | \$ 51,715 | \$ 85,378 |
| Basic earnings (\$/share) (Note 7) | \$ 0.02 | \$ 0.04 | \$ 0.27 | \$ 0.45 |
| Diluted earnings (\$/share) (Note 7) | \$ 0.02 | \$ 0.04 | \$ 0.27 | \$ 0.45 |

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

| <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 | Non-controlling interest | Total equity |
|-------------------------------------------------------------------------|--------------------|-------------------|---------------------|-------------------------------------------|---------------------|----------------------|--------------------------|-------------------|
| Balance as at December 31, 2022 | 188,869,463 | \$ 536,203 | \$ 246,626 | \$ 4,660 | \$ (535,140) | \$ 252,349 | \$ 769 | \$ 253,118 |
| Net income | — | — | — | — | 51,715 | 51,715 | — | 51,715 |
| Issuance of shares under RSU Plan <i>(Note 7)</i> | 1,738,895 | 2,524 | — | — | — | 2,524 | — | 2,524 |
| Balance as at September 30, 2023 | 190,608,358 | 538,727 | 246,626 | 4,660 | (483,425) | 306,588 | 769 | 307,357 |
| Balance as at December 31, 2021 | 186,814,842 | \$ 532,390 | \$ 246,626 | \$ 4,660 | \$ (650,236) | \$ 133,440 | \$ 1,165 | \$ 134,605 |
| Net income | — | — | — | — | 85,378 | 85,378 | — | 85,378 |
| Issuance of shares under RSU Plan <i>(Note 7)</i> | 1,956,209 | 3,684 | — | — | — | 3,684 | — | 3,684 |
| Balance as at September 30, 2022 | 188,771,051 | 536,074 | 246,626 | 4,660 | (564,858) | 222,502 | 1,165 | 223,667 |

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

| <i>(unaudited in thousands of US Dollars)</i> | <i>For the nine months ended September 30,</i> | |
|---------------------------------------------------------------------|------------------------------------------------|---------------------|
| | 2023 | 2022 |
| Operating activities | | |
| Net income | \$ 51,715 | \$ 85,378 |
| Adjustments for the following items: | | |
| Depreciation and depletion | 29,452 | 24,716 |
| Cash settlement of share-based payments | (286) | (421) |
| Share-based payment expense <i>(Note 9)</i> | 2,825 | 4,983 |
| Current and deferred income tax expense (recovery) <i>(Note 12)</i> | 1,735 | 26,218 |
| Income tax payments | (9,541) | (24,218) |
| Environmental and asset retirement obligations payments | (351) | (3,975) |
| Unrealized foreign exchange loss | 295 | 1,154 |
| Finance expense, net <i>(Note 11)</i> | 14,741 | 40,113 |
| Net change in non-cash working capital <i>(Note 15)</i> | (20,746) | 12,176 |
| Cash flows from operating activities | \$ 69,839 | \$ 166,124 |
| Investing activities | | |
| Addition of property, plant and equipment and mineral properties | \$ (33,126) | \$ (28,841) |
| Cash flows used by investing activities | \$ (33,126) | \$ (28,841) |
| Financing activities | | |
| Proceeds from debt <i>(Note 13)</i> | \$ — | \$ 146,300 |
| Repayment of debt | (31,802) | (252,080) |
| Repayment of lease liabilities | (3,005) | (3,023) |
| Payment of interest expense | (8,700) | (13,265) |
| Payment of financing related costs | — | (10,449) |
| Cash flows used by financing activities | \$ (43,507) | \$ (132,517) |
| Effect of foreign exchange of non-US Dollar denominated cash | \$ 334 | \$ (154) |
| Increase (Decrease) in cash | (6,460) | 4,612 |
| Beginning cash | 42,811 | 31,565 |
| Ending cash | \$ 36,351 | \$ 36,177 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

The amounts contained herein are in thousands of US Dollars (“\$”) except for number of 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 located in Idaho, US with production capacity as follows:
 - approximately 550kt per year of monoammonium phosphate (“MAP”), MAP with micronutrients (“MAP+”), superphosphoric acid (“SPA”), merchant grade phosphoric acid (“MGA”) and ammonium polyphosphate (“APP”); and
 - approximately 27kt per year of hydrofluorosilicic acid (“HFSA”);
- Arraias – a vertically integrated phosphate fertilizer business located in Tocantins, Brazil with production capacity as follows:
 - approximately 500kt per year of single superphosphate (“SSP”) and SSP with micronutrients (“SSP+”); and
 - approximately 40kt per year of excess sulfuric acid (220kt per year gross sulfuric acid production capacity);
- 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; and
- Araxá – a vertically integrated rare earth elements and niobium mine and extraction plant project located in Minas Gerais, Brazil.

As at September 30, 2023, the Company has completed the wind down process of the Mantaro mine project (located in Junin, Peru).

The Company is a Delaware corporation that is headquartered in Houston, Texas. 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 Castllake, L.P., a global private investment firm. CLF is a related party (see Note 7).

2. BASIS OF PREPARATION AND PRESENTATION

STATEMENT OF COMPLIANCE

The 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. The Interim Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2022 (the “2022 Audited Financial Statements”).

The Interim Financial Statements were authorized for issuance by the Company’s Board of Directors on November 8, 2023.

GOING CONCERN BASIS

The 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.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Statements remain consistent with those adopted in the preparation of the 2022 Audited Financial Statements.

NEW ACCOUNTING STANDARDS

The IASB issued certain new accounting standards or amendments that are mandatory for accounting periods beginning on or after January 1, 2023, including amendments to IAS 12, IAS 1 and IAS 8. The Company concluded that the effect of such new accounting standards or amendments that were mandatory did not have a material impact and therefore did not record any adjustments to the Interim Financial Statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical accounting estimates and judgments considered in the preparation of the Interim Financial Statements remain consistent with those considered in the preparation of the 2022 Audited Financial Statements.

5. IMPAIRMENT

As at September 30, 2023, the Company's book value of net assets exceeded its market capitalization, which triggered an overall impairment assessment. As a result of the overall impairment trigger, the Company performed valuations to estimate the respective recoverable amounts of its Cash Generating Units ("CGUs") Conda, Arraias and Farim in order to compare such respective estimated recoverable amounts to their respective carrying values. The Company did not perform valuations to estimate the respective recoverable amounts of Santana and Araxá due to de minimis respective carrying values.

In order to estimate the respective recoverable amounts of Conda, Arraias and Farim, the Company utilized a methodology consistent with the one disclosed in the 2022 Audited Financial Statements. The Company concluded that the estimated recoverable amounts of Conda and Farim were above their carrying value and therefore did not record an impairment. The Company concluded that the estimated recoverable amount of Arraias was approximately equal to its carrying value and therefore did not record an impairment.

The Company considered key assumptions such as quantity and grade of recoverable reserves and resources (ore production and %P₂O₅), future commodity prices and discount rates in order to estimate the recoverable amount of Arraias as follows:

| <i>(in thousands of US Dollars except for year, exchange rate and percentages)</i> | Arraias |
|------------------------------------------------------------------------------------|----------------|
| Long-term SSP sales price (\$/tonne) | 244 |
| Long-term Sulfuric Acid price (\$/tonne) | 217 |
| Weighted average cost of capital (%) | 11.94 |

The Company considered the impact of changes in key assumptions to the estimated recoverable amount of Arraias as follows:

| <i>(in thousands of US Dollars except for year, exchange rate and percentages)</i> | Arraias |
|------------------------------------------------------------------------------------|----------------|
| 10% reduction to long-term sales prices | (68,727) |
| 1% increase to weighted average cost of capital | (19,252) |

A 10% reduction to long-term sales prices would have resulted in an impairment amount of \$68,727 for Arraias. A 1% increase to weighted average cost of capital would have resulted in an impairment amount of \$19,252 for Arraias.

6. DEBT

As at September 30, 2023 and December 31, 2022, the Company had debt as follows:

| <i>(unaudited in thousands of US Dollars)</i> | September 30, 2023 | December 31, 2022 |
|-----------------------------------------------------------|-------------------------------|------------------------------|
| Term Loan | \$ 56,800 | \$ 78,138 |
| Deferred financing costs related to the Credit Facilities | (1,521) | (3,006) |
| ABL Facility | 40,000 | 50,000 |
| Conda equipment financings | 2,227 | 2,668 |
| Brazilian debentures | 255 | 324 |
| Debt | \$ 97,761 | \$ 128,124 |
| Less: current portion | (29,130) | (29,217) |
| Long-term debt | \$ 68,631 | \$ 98,907 |

For the three months ended September 30, 2023, the Company repaid \$7,081 of principal under the Term Loan.

For the nine months ended September 30, 2023, the Company repaid \$21,241 of principal under the Term Loan and \$10,000 under the ABL Facility.

As at September 30, 2023, the Company was in compliance with all financial covenants related to the Term Loan. As at September 30, 2023, the springing financial covenants related to the ABL Facility were not applicable. The Company's financial covenants are described in greater detail in the 2022 Audited Financial Statements.

7. SHARE CAPITAL

AUTHORIZED CAPITAL

As at September 30, 2023, the Company was 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.

COMMON SHARES ISSUED AND OUTSTANDING

As at September 30, 2023 and December 31, 2022, the Company had 190,608,358 and 188,869,463 shares issued and outstanding, respectively. As at September 30, 2023 and December 31, 2022, CLF beneficially owned and controlled 124,961,722 shares of the Company, representing approximately 65.6% and 66.2% of the issued and outstanding shares on an undiluted basis, respectively (see Note 1).

For the nine months ended September 30, 2023, the Company issued 1,738,895 shares (net of 610,333 shares withheld to pay applicable taxes) due to vesting under its RSU Plan.

For the nine months ended September 30, 2022, the Company issued 1,956,209 shares (net of 586,213 shares withheld to pay applicable taxes) due to vesting under its RSU Plan.

WEIGHTED-AVERAGE NUMBER OF SHARES

For the three and nine months ended September 30, 2023 and 2022, 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 September 30,</i> | | <i>For the nine months ended September 30,</i> | |
|------------------------------------------------------|-----------------------------------------------------|--------------------|----------------------------------------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Weighted-average number of shares | 190,608,358 | 188,771,051 | 189,706,474 | 188,012,062 |
| Weighted-average number of potentially dilutive RSUs | 2,572,028 | 2,620,000 | 2,247,821 | 2,706,082 |
| Diluted weighted-average number of shares | 193,180,386 | 191,391,051 | 191,954,295 | 190,718,144 |

8. REVENUES

For the three and nine months ended September 30, 2023 and 2022, the Company had revenues as follows:

| <i>(unaudited in thousands of US Dollars)</i> | <i>For the three months ended September 30,</i> | | <i>For the nine months ended September 30,</i> | |
|-----------------------------------------------|-----------------------------------------------------|-------------------|----------------------------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| MAP | \$ 61,566 | \$ 85,842 | \$ 181,528 | \$ 246,303 |
| MAP+ | 7,275 | 8,077 | 17,117 | 19,777 |
| SPA | 33,989 | 44,545 | 122,080 | 161,739 |
| MGA | 157 | 446 | 1,178 | 995 |
| APP | 3,136 | 4,940 | 10,873 | 11,506 |
| HFSA | 647 | 1,424 | 2,892 | 1,424 |
| DAPR | 426 | — | 426 | — |
| Sulfuric acid | 3,592 | 7,913 | 10,393 | 16,301 |
| Revenues | \$ 110,788 | \$ 153,187 | \$ 346,487 | \$ 458,045 |

For the three months ended September 30, 2023, the Company started to produce Direct Application Phosphate Rock ("DAPR") at Arraias.

For the three months ended September 30, 2023 and 2022, the Company had two customers and one customer that individually accounted for more than 10% of the Company's total revenues, respectively. For the three months ended September 30, 2023, these two customers represented approximately 61% and 10%, respectively of the Company's total revenues. For the three months ended September 30, 2022 this one customer represented approximately 62% of the Company's total revenues.

For the nine months ended September 30, 2023 and 2022, the Company had two customers and one customer that individually accounted for more than 10% of the Company's total revenues, respectively. For the nine months ended September 30, 2023, these two customers represented approximately 60% and 13%, respectively of the Company's total revenues. For the nine months ended September 30, 2022, this one customer represented approximately 62% of the Company's total revenues.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the three and nine months ended September 30, 2023 and 2022 the Company had selling, general and administrative expenses as follows:

| <i>(unaudited in thousands of US Dollars)</i> | <i>For the three months ended</i> | | <i>For the nine months ended</i> | |
|-----------------------------------------------------|-----------------------------------|-----------------|----------------------------------|------------------|
| | <i>September 30</i> | | <i>September 30,</i> | |
| | 2023 | 2022 | 2023 | 2022 |
| Payroll expenses | \$ 3,155 | \$ 3,079 | \$ 9,333 | \$ 9,634 |
| Professional fees | 987 | 1,235 | 4,293 | 2,991 |
| Share-based payments expense | 223 | 252 | 2,825 | 4,983 |
| Insurance expenses | 227 | 291 | 730 | 821 |
| Office, travel and general administrative expense | 1,401 | 794 | 3,166 | 3,290 |
| Directors fees | 348 | 223 | 1,117 | 775 |
| Selling, general and administrative expenses | \$ 6,341 | \$ 5,874 | \$ 21,464 | \$ 22,494 |

10. OTHER INCOME (EXPENSE)

For the nine months ended September 30, 2023 and 2022, the Company recognized other income of \$122 and \$8,724, respectively. For the nine months ended September 30, 2022, Conda reached a settlement with insurers on a business interruption claim related to the 2020 disruption in sulfuric acid supply. As a result of the settlement, Conda received net insurance proceeds of \$8,675.

11. FINANCE EXPENSE (INCOME)

For the three and nine months ended September 30, 2023 and 2022, the Company had finance expense, net as follows:

| <i>(unaudited in thousands of US Dollars)</i> | <i>For the three months ended</i> | | <i>For the nine months ended</i> | |
|---------------------------------------------------------------------------|-----------------------------------|------------------|----------------------------------|------------------|
| | <i>September 30</i> | | <i>September 30,</i> | |
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense | \$ 2,755 | \$ 5,770 | \$ 9,099 | \$ 17,852 |
| Amortization of deferred financing costs related to the Credit Facilities | 354 | 104 | 1,485 | 104 |
| Amortization of deferred financing costs related to the 2021 Term Loan | — | 1,032 | — | 4,170 |
| Environmental and asset retirement obligation accretion expense | 1,530 | 857 | 4,307 | 2,477 |
| Loss on debt extinguishment of the Promissory Note | — | 1,863 | — | 1,863 |
| Loss on debt extinguishment of the 2021 Term Loan | — | 12,782 | — | 12,782 |
| Loss on debt extinguishment of the Conda ABL | — | 166 | — | 166 |
| Interest on lease liabilities | 271 | 246 | 852 | 760 |
| Interest income | (603) | (57) | (1,002) | (61) |
| Finance expense, net | \$ 4,307 | \$ 22,763 | \$ 14,741 | \$ 40,113 |

12. INCOME TAXES

For the three and nine months ended September 30, 2023, the Company had current and deferred income tax expense as follows:

| <i>(unaudited in thousands of US Dollars)</i> | <i>For the three months ended</i> | | <i>For the nine months ended</i> | |
|------------------------------------------------------|-----------------------------------|------------------|----------------------------------|------------------|
| | <i>September 30,</i> | | <i>September 30,</i> | |
| | 2023 | 2022 | 2023 | 2022 |
| Current income tax expense | \$ 2,288 | \$ 11,457 | \$ 12,058 | \$ 27,064 |
| Deferred income tax expense (recovery), net | (2,699) | (1,344) | (10,323) | (845) |
| Total current and deferred income tax expense | \$ (411) | \$ 10,113 | \$ 1,735 | \$ 26,219 |
| Actual effective tax rate (%) | (15.4) | 55.6 | 3.2 | 23.5 |

For the nine months ended September 30, 2023, the Company recognized a deferred tax asset of \$8,353 for its carry forward of interest expense from periods prior to the Company's redomiciliation in 2021 from the Cayman Islands to the US.

13. COMMITMENTS AND CONTINGENT LIABILITIES

CONTRACTUAL OBLIGATIONS

As at September 30, 2023, the Company's contractual obligations were as follows:

| <i>(unaudited in thousands of US Dollars)</i> | Within | Years | Years | After | Total |
|-----------------------------------------------|------------------|------------------|------------------|------------------|-------------------|
| | 1 year | 2 and 3 | 4 and 5 | 5 years | |
| Debt | \$ 29,130 | \$ 69,765 | \$ 384 | — | \$ 99,279 |
| Accounts payable and accrued liabilities | 63,710 | — | — | — | 63,710 |
| Provisions | 1,362 | 25,549 | 28,690 | 85,062 | 140,663 |
| Leases | 3,078 | 4,377 | 2,084 | 2,492 | 12,031 |
| Contractual obligations | \$ 97,280 | \$ 99,691 | \$ 31,158 | \$ 87,554 | \$ 315,683 |

The Company's contractual obligations do not include estimated interest payments related to such contractual obligations.

CONTINGENT LIABILITIES

As at September 30, 2023 and December 31, 2022, the Company has accrued contingent liabilities of \$283 and \$741, respectively. The Company does not believe that the outcome of any of the matters, individually or in the aggregate, that are not recorded in the Interim Financial Statements would have a material adverse effect. The ultimate amount of any liability for such matters, including interest and penalties, is uncertain and the Company is defending its position in each case.

During 2022, the Company received an assessment from the Dutch tax authorities of Euro 1,730 (approximately \$1,829) for 2016 income taxes related to its Dutch holding structure for the Company's Brazilian subsidiaries. During Q1 2023, the Dutch tax authorities initiated an assessment for 2017 and 2018. During Q1 2023, the Company received an assessment in respect of 2018 income taxes of EUR 1,720 (approximately \$1,818). During Q3 2023, the Company received an assessment in respect of 2017 income taxes of EUR 1,881 (approximately \$1,988). The Company filed an appeal against these tax assessments, which is currently under review by the Dutch tax authorities. The Company and its legal advisors consider it more likely than not that the resolution of these assessments will be favorable to the Company. On that basis, the Company has not recognized a provision for these assessments. In the event of an unfavorable resolution, the

Company estimates a potential assessment in the aggregate amount of approximately \$5,635 (including in respect of 2016, 2017 and 2018 income taxes).

CONDA GUARANTEES

Conda's operating and environmental permits require certain obligations related to environmental and reclamation activities to be guaranteed. As at September 30, 2023 and December 31, 2022, Conda's guarantee requirements were \$81,113 and \$77,739, respectively. As at September 30, 2023, Conda had surety bonds in place for its full amount of its \$81,113 guarantee requirements.

As at September 30, 2023, the Company had posted letters of credit of \$30,051 under the \$35,000 letter of credit facility ("the LC Facility") as collateral for Conda's surety bonds.

US ENVIRONMENTAL PROTECTION AGENCY ("EPA") MATTERS

The Company's EPA Matters are described in greater detail in the 2022 Audited Financial Statements.

14. SEGMENT REPORTING

For the three months ended September 30, 2023, 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 | \$ | 106,770 | \$ | 4,018 | \$ | — | \$ | — | \$ 110,788 |
| Cost of goods sold | | 92,626 | | 4,232 | | — | | — | 96,858 |
| Gross Margin | \$ | 14,144 | \$ | (214) | \$ | — | \$ | — | \$ 13,930 |
| Selling, general and administrative expenses | | 1,050 | | 547 | | 257 | | 4,487 | 6,341 |
| Operating income (loss) | \$ | 13,094 | \$ | (761) | \$ | (257) | \$ | (4,487) | \$ 7,589 |
| Foreign exchange gain (loss) | | (3) | | (672) | | 68 | | 1 | (606) |
| Other expense, net | | — | | (6) | | (3) | | — | (9) |
| Finance (expense) income, net | | (1,423) | | 204 | | — | | (3,088) | (4,307) |
| Income (loss) before income taxes | \$ | 11,668 | \$ | (1,235) | \$ | (192) | \$ | (7,574) | \$ 2,667 |
| Current and deferred income tax expense (recovery) | | 1,878 | | — | | — | | (2,289) | (411) |
| Net income (loss) | \$ | 9,790 | \$ | (1,235) | \$ | (192) | \$ | (5,285) | \$ 3,078 |

For the three months ended September 30, 2022, 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 | \$ | 145,274 | \$ | 7,913 | \$ | — | \$ | — | \$ 153,187 |
| Cost of goods sold | | 98,762 | | 7,763 | | — | | — | 106,525 |
| Gross margin | \$ | 46,512 | \$ | 150 | \$ | — | \$ | — | \$ 46,662 |
| Selling, general and administrative expenses | | 923 | | 514 | | 274 | | 4,163 | 5,874 |
| Operating loss | \$ | 45,589 | \$ | (364) | \$ | (274) | \$ | (4,163) | \$ 40,788 |
| Foreign exchange gain (loss) | | (53) | | (652) | | 427 | | (401) | (679) |
| Other income (expense), net | | — | | 280 | | (2) | | 577 | 855 |
| Finance (expense) income, net | | (1,422) | | 52 | | — | | (21,393) | (22,763) |
| Income (loss) before income taxes | \$ | 44,114 | \$ | (684) | \$ | 151 | \$ | (25,380) | \$ 18,201 |
| Current and deferred income tax expense (recovery) | | 14,550 | | — | | — | | (4,437) | 10,113 |
| Net income (loss) | \$ | 29,564 | \$ | (684) | \$ | 151 | \$ | (20,943) | \$ 8,088 |

For the nine months ended September 30, 2023, 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 | \$ | 335,668 | \$ | 10,819 | \$ | — | \$ 346,487 |
| Cost of goods sold | | 243,977 | | 12,691 | | — | 256,668 |
| Gross margin | \$ | 91,691 | \$ | (1,872) | \$ | — | \$ 89,819 |
| Selling, general and administrative expenses | | 3,152 | | 915 | | 796 | 16,601 |
| Operating income (loss) | \$ | 88,539 | \$ | (2,787) | \$ | (796) | \$ (16,601) \$ 68,355 |
| Foreign exchange gain (loss) | | 7 | | (164) | | (131) | 2 |
| Other income, net | | 24 | | 69 | | 29 | — |
| Finance (expense) income, net | | (4,703) | | 475 | | (79) | (10,434) |
| Income (loss) before income taxes | \$ | 83,867 | \$ | (2,407) | \$ | (977) | \$ (27,033) \$ 53,450 |
| Current and deferred income tax expense (recovery) | | 18,894 | | — | | — | (17,159) |
| Net income (loss) | \$ | 64,973 | \$ | (2,407) | \$ | (977) | \$ (9,874) \$ 51,715 |

For the nine months ended September 30, 2022, 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 | \$ | 441,744 | \$ | 16,301 | \$ | — | \$ 458,045 |
| Cost of goods sold | | 275,149 | | 16,152 | | — | 291,301 |
| Gross margin | \$ | 166,595 | \$ | 149 | \$ | — | \$ 166,744 |
| Selling, general and administrative expenses | | 2,907 | | 1,678 | | 802 | 17,107 |
| Operating loss | \$ | 163,688 | \$ | (1,529) | \$ | (802) | \$ (17,107) \$ 144,250 |
| Foreign exchange gain (loss) | | (89) | | (996) | | 332 | (511) |
| Other income, net | | 8,343 | | 328 | | 20 | 33 |
| Finance expense, net | | (3,856) | | 9 | | (6) | (36,260) |
| Income (loss) before income taxes | \$ | 168,086 | \$ | (2,188) | \$ | (456) | \$ (53,845) \$ 111,597 |
| Current and deferred income tax expense (recovery) | | 41,300 | | — | | — | (15,081) |
| Net income (loss) | \$ | 126,786 | \$ | (2,188) | \$ | (456) | \$ (38,764) \$ 85,378 |

As at September 30, 2023, 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 | \$ | 401,649 | \$ | 140,621 | \$ | 77,047 | \$ 9,914 \$ 629,231 |
| Total liabilities | \$ | 202,510 | \$ | 10,272 | \$ | 3,461 | \$ 105,631 \$ 321,874 |

As at December 31, 2022, 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 | \$ | 391,490 | \$ | 143,545 | \$ | 76,544 | \$ 2,430 \$ 614,009 |
| Total liabilities | \$ | 213,228 | \$ | 10,765 | \$ | 3,046 | \$ 133,852 \$ 360,891 |

As at September 30, 2023 and December 31, 2022, 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 September 30, 2023 | \$ | 220,032 | \$ | 117,468 | \$ | 76,715 | \$ | 832 | \$ 415,047 |
| Balance as at December 31, 2022 | \$ | 215,765 | \$ | 118,488 | \$ | 76,214 | \$ | 309 | \$ 410,776 |

As at September 30, 2023 and December 31, 2022, the Company had property, plant and equipment and mineral properties by region as follows:

| <i>(unaudited in thousands of US Dollars)</i> | September 30, 2023 | | December 31, 2022 | |
|-------------------------------------------------------------------|--------------------|----------------|-------------------|----------------|
| Brazil (South America) | \$ | 126,592 | \$ | 127,602 |
| US (North America) | | 220,844 | | 216,054 |
| Guinea-Bissau (Africa) | | 67,611 | | 67,120 |
| Property, plant and equipment, and mineral properties, net | \$ | 415,047 | \$ | 410,776 |

15. NET CHANGE IN NON-CASH WORKING CAPITAL

For the nine months ended September 30, 2023 and 2022, the Company had net change in non-cash working capital as follows:

| <i>(unaudited in thousands of US Dollars)</i> | For the nine months ended September 30, | |
|-----------------------------------------------|-----------------------------------------|------------------|
| | 2023 | 2022 |
| Accounts receivable | \$ (12,717) | \$ (1,690) |
| Inventories, net | (2,970) | (7,656) |
| Other assets and prepaids | 2,754 | 3,473 |
| Accounts payable and accrued liabilities | (2,849) | 19,727 |
| Other liabilities and provisions | (4,964) | (1,678) |
| Net change in non-cash working capital | \$ (20,746) | \$ 12,176 |

16. 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 nine months ended September 30, 2023 and 2022, 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 September 30, 2023 and December 31, 2022, the Company's long-term debt was stated at an amortized cost of \$97,761 and \$128,124, respectively and had a fair value of \$88,917 and \$118,725, respectively.

RISK FACTORS

The risk factors considered in the Interim Financial Statements remain consistent with those considered in the 2022 Audited Financial Statements.
