



(formerly MBAC Fertilizer Corp.)



**Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2017
(Unaudited)**

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CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

<i>(in thousands of United States Dollars, unaudited)</i>	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash	\$ 895	\$ 2,875
Accounts receivable	274	169
Inventories (Note 4)	8,027	481
Other current assets (Note 7)	5,168	3,212
	<u>\$ 14,364</u>	<u>\$ 6,737</u>
Non-current assets:		
Property, plant and equipment (Note 5)	249,673	222,564
Mineral properties (Note 6)	47,170	40,324
Investments in associates (Notes 8)	15,634	17,813
Other long-term assets (Note 7)	14,861	17,320
Total assets	<u>\$ 341,702</u>	<u>\$ 304,758</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9)	\$ 17,622	\$ 19,345
Current debt (Note 11a)	14,741	-
Other current liabilities (Note 11b)	3,800	2,387
Current Debentures (Note 11c)	830	340
Provisions (Note 10)	797	975
	<u>\$ 37,790</u>	<u>\$ 23,047</u>
Non-current liabilities:		
Other long-term liabilities (Note 12)	12,775	7,261
Long-term portion of debentures (Note 11c)	2,318	2,479
Other liabilities (Note 11b and 11d)	1,671	1,775
Provisions (Note 10)	1,490	586
Total liabilities	<u>\$ 56,044</u>	<u>\$ 35,148</u>
Shareholders' Equity		
Share capital (Note 13)	411,675	374,508
Contributed surplus	246,626	246,626
Cumulative translation adjustment reserve	8,527	7,171
Deficit	(381,170)	(358,695)
Shareholders' Equity	<u>\$ 285,658</u>	<u>\$ 269,610</u>
Total liabilities and shareholders' equity	<u>\$ 341,702</u>	<u>\$ 304,758</u>

Commitments and contingencies (Note 16) and Subsequent events (Note 21)

Approved by the Board

Signed "Anthony Cina"

ANTHONY CINA

Director

Signed "Brent de Jong"

BRENT DE JONG

Director

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS

<i>(in thousands of United States Dollars except for shares and per share amounts, unaudited)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2017	2016	2017	2016
Expenses				
Selling, general and administrative expenses	\$ 4,921	\$ 1,981	\$ 13,091	\$ 4,098
Operations care and maintenance expenses	-	6,280	-	15,078
Impairment and write-off of property, plant and equipment and mineral properties <i>(Note 5 and 6)</i>	-	14,663	-	14,663
Operating loss	(4,921)	(22,924)	(13,091)	(33,839)
Unrealized foreign exchange gain/(loss) <i>(Note 14)</i>	(392)	(1,923)	(1,286)	22,352
Other income (expense)	(1,489)	91	(3,628)	(238)
Finance income (expense) <i>(Note 15)</i>	134	(21,682)	22	(47,696)
Loss and impairment from investment in associates <i>(Note 8)</i>	(322)	-	(1,909)	-
Other expenses Brazilian warrants	(1,400)	-	(1,400)	-
Loss before income taxes	(8,390)	(46,438)	(21,292)	(59,421)
Current and deferred income tax expense	573	305	1,183	834
Net loss	\$ (8,963)	\$ (46,743)	\$ (22,475)	\$ (60,255)
Basic and diluted loss per share <i>(Note 13)</i>	\$ (0.11)	\$ (25.74)	\$ (0.30)	\$ (33.18)

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
<i>(in thousands of United States Dollars, unaudited)</i>				
Net loss	\$ (8,963)	\$ (46,743)	\$ (22,475)	\$ (60,255)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Cumulative transaction adjustment from investment in associates	770	135	1,530	(3,626)
Share of other comprehensive loss from investment in associates	(40)	-	(174)	-
	\$ 730	\$ 135	\$ 1,356	\$ (3,626)
Total other comprehensive income (loss)	\$ 730	\$ 135	\$ 1,356	\$ (3,626)
Total comprehensive loss	\$ (8,233)	\$ (46,608)	\$ (21,119)	\$ (63,881)

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, 2017 AND 2016**

Share capital

<i>(in thousands of United States Dollars except for shares, unaudited)</i>	Number of shares	Amount	Contributed surplus	Warrant reserve	Cumulative translation adjustment reserve	Deficit	Total equity
Balance as at January 1, 2017	57,528,838	\$ 374,506	\$ 246,626	\$ -	\$ 7,171	\$ (358,695)	\$ 269,610
Net loss	-	-	-	-	-	(22,475)	(22,475)
Accumulated other comprehensive income	-	-	-	-	1,356	-	1,356
March 2017, Issuance of shares from private placement and debt conversion (Note 13)	21,789,669	32,840	-	-	-	-	32,840
July 2017, Issuance of shares to acquire Stonegate Agricom Ltd ("STG") (Note 13)	2,985,777	4,327	-	-	-	-	4,327
Balance as at September 30, 2017	82,304,284	\$ 411,673	\$ 246,626	\$ -	\$ 8,527	\$ (381,170)	\$ 285,658
Balance as at January 1, 2016	181,607,492	\$ 262,235	\$ 15,315	\$ 8,621	\$ 9,332	\$ (258,027)	\$ 37,476
Net loss	-	-	-	-	-	(60,255)	(60,255)
Accumulated other comprehensive income	-	-	-	-	(3,626)	-	(3,626)
Share-based payment recovery	-	-	(208)	-	-	-	(208)
Exchange differences	-	14,482	844	476	(15,802)	-	-
Balance as at September 30, 2016 (Note 13)	181,607,492	\$ 276,717	\$ 15,951	\$ 9,097	\$ (10,096)	\$ (318,282)	\$ (26,613)

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,

(in thousands of United States Dollars, unaudited)

	2017	2016
Operating activities		
Net loss	\$ (22,475)	\$ (60,255)
Adjustments for the following items:		
Depreciation and depletion	163	13,288
Share-based payment (recovery) expense	516	(208)
Deferred income tax expense	1,183	834
Loss and impairment from investment in associates	1,909	-
Unrealized foreign exchange (gain) loss (Note 14)	1,286	(22,352)
Impairment and write-off on property, plant and equipment and mineral properties	-	14,663
Financial expense (Note 15)	(22)	47,696
Net change in non-cash working capital (Note 18)	(2,036)	1,544
Cash flows from operating activities	\$ (19,476)	\$ (4,790)
Investing activities		
Acquisition of property, plant and equipment and mineral properties	\$ (26,918)	\$ (238)
Increase in investment in associates	(725)	-
Proceeds from acquisition of subsidiary (Note 2)	194	-
Issuance of note receivables	(2,500)	-
Cash flows from investing activities	\$ (29,949)	\$ (238)
Financing activities		
Proceeds from conversion of debt financing	\$ 3,000	\$ 5,214
Proceeds from debt financing	14,500	-
Net proceeds from issuance of shares	29,840	-
Change in restricted cash	-	163
Cash flows from financing activities	\$ 47,340	\$ 5,377
Effect of foreign exchange of non-US Dollar denominated cash	105	(84)
Increase (decrease) in cash	(1,980)	265
Cash, beginning of period	2,875	25
Cash, end of period	\$ 895	\$ 290

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, 2017

(Amounts in thousands of United States Dollars, unaudited)

1. GENERAL COMPANY INFORMATION

Itafos (the “Company”) is engaged in the mining, production and exploration of phosphate fertilizers. The Company is focused on becoming a significant integrated producer of phosphate based fertilizers and related products. The Company owns and operates the Itafos Arraias Single Super Phosphate (“SSP”) Operations in central Brazil. The Itafos Arraias SSP Operations consists of an integrated fertilizer producing facility. The facility is comprised of a phosphate mine, a mill, a beneficiation plant, a sulphuric acid plant, an SSP plant, a granulation plant and related infrastructure.

The Company’s exploration portfolio includes additional projects in Brazil and the United States of America. The Itafos Santana Project is a phosphate deposit located near the fertilizer market of Mato Grosso State, Brazil and the animal feed market of Pará State. The Company’s Brazil exploration portfolio also includes the Itafos Araxa Project (a rare-earth elements, niobium and phosphate deposit located near two operating mines with existing local infrastructure). Through its STG subsidiary, the Company owns the Paris Hills Project (a high-grade phosphate deposit located in Idaho, United States) and the Mantaro Project (a high-grade phosphate deposit located in Peru). See Note 2 for the acquisition of control of STG in July 2017. In addition, at September 30, 2017, the Company owns an approximate 31.3% interest in GB Minerals Ltd. (“GBL”). GBL owns the Farim Project (a high-grade phosphate deposit located in Guinea Bissau).

In 2017, the Company has continued to generate net financing proceeds from the issuance of shares and debt financing. As of September 30, 2017, the Company has obtained short-term debt financing of \$14,500 which are due in Q1 2018. As per Note 21, Subsequent Events, the Company received additional debt financing of approximately \$16,250 from the issuance of promissory notes. This financing is another key step forward in the Company’s plan to bridge its short-term financing needs until long-term financing is obtained. In the interim, the company has committed financial support from existing key sponsors over the next 12 months, if needed. The Company is in the process of securing a long-term debt financing structure and is in advanced discussions with interested potential investors. In Q4, the Company is focused on evaluating the optimal structuring options and borrowing terms of that potential long-term financing. In addition, based on the current operating plan and potential growth initiatives, the Company expects to raise additional equity funding. Management considered all the relevant information, as noted above, and concluded that there are no material uncertainties that would cast significant doubt upon the going concern assumption.

These unaudited condensed consolidated interim financial statements (“interim financial statements”) have been prepared on a basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company’s registered office is at Ugland House, Grand Cayman, Cayman Islands KY1-1104.



2. BASIS OF PREPARATION AND PRESENTATION

Statement of compliance

These interim financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim financial statements were authorized for issuance by the Board of Directors of the Company on November 7, 2017.

Basis of preparation and presentation

These interim financial statements have been prepared on a going concern basis under the historical cost convention. The interim financial statements are presented in United States Dollars (“USD”). References herein to C\$ are to the Canadian Dollar and R\$ are to the Brazilian Real.

Change in functional currency

During the quarter ended March 31, 2017, the Brazilian subsidiaries changed their functional currency from R\$ to USD based on the Itafos Arraias SSP Operations re-commencing development activities and based on the financing of the entity. The parent entity and other subsidiaries have changed from C\$ to USD based on the change in location of the principal administrative office and the financing of the entities. Also, STG changed its functional currency from C\$ to USD as a result of the acquisition of control. See Note 2.

Consolidation

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. The Company has wholly owned subsidiaries located in the Cayman Islands, United States of America, Barbados, British Virgin Island, the Netherlands, Peru and Brazil. At September 30, 2017, the Company also has a non-controlling interest in GBL. Please refer to Note 8 for further discussion. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which the Company obtained control and are deconsolidated from the date on which the Company ceases to have control. At September 30, 2017, GBL is accounted for by the equity method as the Company has significant influence over this entity but does not control it.

These interim financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions are eliminated on consolidation.

The Company is a subsidiary of Zaff LLC (“Zaff”), a Delaware limited liability company with offices in Houston, Texas, USA. As of September 30, 2017, Zaff beneficially owned, controlled and directed 49,882,498 shares of the Company, representing 60.6% of the issued and outstanding shares of the Company (on an undiluted basis).

Critical accounting estimates and judgments



The critical accounting estimates and judgments included in the Company's audited consolidated financial statements for the year ended December 31, 2016 remain applicable for these interim financial statements. As of January 1, 2017, the Itafos Arraias SSP Operations have recommenced development activities and have finished the period of care and

maintenance. From that date forward, until completion of the development activities, interest will be capitalized to the qualifying assets and depreciation of applicable assets will be re-capitalized where used in the development of the operations.

Brazilian Tax Assessments

In Q3 2017, the Company elected to participate in a program to settle various significant outstanding income tax assessments associated with its subsidiaries in Brazil. This commercial resolution creates immediate financial certainty during a time of political volatility and economic reform in country. In coming to the decision to participate, the Company analyzed the costs and risks involved in continued litigation versus the potential financial burden that would be incurred by not participating in the program and then being unsuccessful in reducing the income assessment via other means. Also contributing to the Company's decision is that access to governance by judicial courts has limitations, including the financial burden imposed on those who take their disputes through the courts, which requires a bond or other collateral to be posted. The Company believes these financial resources, along with management's time and effort, are better allocated to value-creating opportunities. The judicial process in Brazil may require years to resolve, often as long as a decade, during which legal fees escalate and interest accrues.

On October 25, 2017, the program was formally enacted into law, substantially in the form passed by the legislature. The final program is a mix of the original provisional measure suggested by the executive branch and the proposed amendments by certain members of the legislative branch. The final program creates an option to either pay one lump sum next year or much smaller installment payments per year for approximately twelve years. The Company has elected to proceed with the installment payments option.

Acquisitions

On July 18, 2017, the Company completed a plan of arrangement under the Business Corporations Act (Ontario) with STG. Pursuant to the terms of that plan of arrangement, the Company acquired all the issued and outstanding common shares of STG that were not already owned directly or indirectly by the Company. As a result of the transaction, STG became a wholly owned subsidiary of the Company. The Company accounted for this transaction as an asset acquisition. On closing of the arrangement, an aggregate of 2,985,777 ordinary shares of the Company were issued to STG shareholders at an exchange ratio of 0.008 of a Company's share for each outstanding STG share. As a result of the arrangement, all outstanding options of STG were cancelled. Further, 100,000,000 outstanding common share purchase warrants of STG were exchanged for 800,000 ordinary share purchase warrants of the Company.

The following table sets out the allocation of the purchase price to assets acquired and liabilities assumed (based on management's estimates of fair value):



373,222,242 common shares of STG or 64.8% interest	\$	4,327
Consideration for net assets (100%)		6,677
Warrants (included in other liabilities)		85
Transaction costs		193
Total consideration for net assets (100%)	\$	6,955
Fair value of assets acquired, and liabilities assumed:		
Mineral properties	\$	6,750
Cash and cash equivalents		194
Receivables		2
Prepaid expenses and other assets		41
Trade and other payable		(32)
Net assets acquired	\$	6,955

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2016. To date, there is no significant impact on the Company's interim financial statements due to new standards that became effective during 2017. However, we will adopt IFRS 15 effective January 1, 2018. To date we have not recorded any revenue. Given the current level of accounts receivable and other current financial assets, we do not expect a material impact on the adoption of IFRS 9 effective January 1, 2018.

4. INVENTORIES

	September 30, 2017	December 31, 2016
Finished goods	\$ 4,049	\$ -
Raw materials	2,647	514
Spare parts	1,085	147
Work in process	435	9
Impairment	(189)	(189)
	\$ 8,027	\$ 481

Finished goods and Raw materials balances include an adjustment of market cost of \$2,810. The adjustment mainly reduced to market cost finished products.



5. PROPERTY, PLANT AND EQUIPMENT

As at September 30, 2016, the Company estimated that the carrying value of certain long-term assets exceeded their recoverable value. As a result, \$6,920 was recorded as a disposal of property, plant and equipment and \$250 related to the Itafos Santana Project was recorded as impairment on property, plant and equipment (See Note 6 below).

	Land	Buildings and plant	Machinery, equipment and other	Asset under construction	Total
Cost					
Balance as at December 31, 2016	\$ 3,273	\$ 128,078	\$ 152,923	\$ -	\$ 284,274
Additions	-	-	1,689	25,583	27,272
Disposals	-	-	(581)	-	(581)
Balance as at September 30, 2017	\$ 3,273	\$ 128,078	\$ 154,031	\$ 25,583	\$ 310,965
Accumulated depreciation					
Balance as at December 31, 2016	\$ -	\$ 24,725	\$ 36,985	\$ -	\$ 61,710
Additions	-	-	163	-	163
Disposals	-	-	(581)	-	(581)
Balance as at September 30, 2017	\$ -	\$ 24,725	\$ 36,567	\$ -	\$ 61,292
Carry value					
As at December 31, 2016	\$ 3,273	\$ 103,353	\$ 115,938	\$ -	\$ 222,564
As at September 30, 2017	\$ 3,273	\$ 103,353	\$ 117,464	\$ 25,583	\$ 249,673

Effective January 1, 2017, the Itafos Arraias SSP Operations were determined to be in the development stage. As a result, pre-commercial production costs began to be capitalized. Property, plant and equipment are not subject to depreciation due to the development stage status of these assets during 2017. As at September 30, 2017 and December 31, 2016, interest of \$450 and \$0, respectively had been capitalized and are included in Property, plant and equipment.

6. MINERAL PROPERTIES

	Development costs	Exploration and evaluation costs	Accumulated depletion	Net book value
Balance as at December 31, 2016	\$ 30,057	\$ 12,005	\$ (1,738)	\$ 40,324
Additions	96	6,750 ⁽¹⁾	-	6,846
Disposals	-	-	-	-
Balance as at September 30, 2017	\$ 30,153	\$ 18,755	\$ (1,738)	\$ 47,170

As at September 30, 2016, the Company estimated that the carrying value of the Itafos Santana Project cash generating unit (CGU) exceeded its recoverable value by \$5,882. As a result, \$5,632 was recorded as an impairment of mineral properties. The Itafos Santana Project was written down to its recoverable amount of approximately \$11,000. The recoverable amount was determined by using a market approach that referenced the weighted



average enterprise value of phosphate companies with comparable size, stage of development, ore grade and content. In addition, the Company wrote-down \$1,861 related to the Itafos Araxa Project feasibility studies. Those feasibility studies were not expected to have economic benefits in the near-term future. The Company maintained a cost base of approximately \$112 on the financial statements related to the mineral rights of Itafos Araxa Project.

(1) See Note 2 acquisition of STG

7. OTHER ASSETS

	September 30, 2017	December 31, 2016
Tax credits	\$ 14,812	\$ 17,656
Promissory note receivable from GBL (balance includes interest accrual)	2,548	-
Advances to suppliers	1,686	2,364
Other	983	512
	<u>20,029</u>	<u>20,532</u>
Less: current portion	5,168	3,212
	<u>\$ 14,861</u>	<u>\$ 17,320</u>

Other current assets

	September 30, 2017	December 31, 2016
Tax credits	\$ 450	\$ 377
Promissory note receivable from GBL (balance includes interest accrual)	2,548	-
Advances to suppliers	1,686	2,364
Other	484	471
	<u>\$ 5,168</u>	<u>\$ 3,212</u>

Tax credits consist of Brazilian state and federal taxes that accumulated primarily on purchases of property, plant and equipment. The tax credits can be applied to offset and potentially reimburse certain value added taxes and other taxes payable in future periods. As of September 30, 2017, and December 31, 2016, the Company had tax credits of \$14,812 (net of 20% tax credit allowance, which has been determined on the average of credits accepted by the Brazilian tax authorities for the years 2012, 2013 and Q1 2014), and \$17,656, respectively.

On August 11, 2017, the Company provided a loan to GBL in the amount of \$2,500 through the issuance of a promissory note to the Company. This promissory note matures on January 31, 2018 and has a 15% interest rate with interest payable quarterly.

8. INVESTMENTS IN ASSOCIATES

The following investments are considered associates and are accounted for using the equity method in these

**Investment in GBL**

On October 27, 2016, through the issuance of 8,536,757 shares to Zaff, the Company acquired ownership of 341,470,265 common shares of GBL. Those 341,470,265 represent approximately a 31.3% interest in GBL. GBL's principal business activities include the acquisition, exploration and development of the Farim Phosphate Project located in Guinea-Bissau. GBL is incorporated in Canada and its shares are traded on the TSX Venture Exchange. The fiscal year-end date of GBL is June 30.

Balance as at December 31, 2016	\$ 15,600
Proportionate share of net loss	(1,329)
Proportionate share of other comprehensive loss	(71)
CTA from investment in associate	1,434
Balance at as at September 30, 2017	\$ 15,634

Investment in STG

On October 27, 2016, through the issuance of 1,033,003 shares to Zaff, the Company acquired ownership of 154,950,462 common shares of STG. Those 154,950,462 shares represented approximately a 36.5% interest in STG. On January 5, 2017, the Company decreased its investment in STG from 36.5% to approximately 29.6% because of a non-brokered private placement by STG in which the Company did not participate. On April 17, 2017, the Company increased its investment in STG to approximately 35.4% upon the closing of a non-brokered private placement by STG. In that private placement, the Company subscribed to all the shares for cash consideration of C\$950. On April 18, 2017, the Company decreased its investment in STG from 35.4% to approximately 35.2% upon issuance of 4,000,000 common shares pursuant to exercise of warrants by third party warrant holders. STG is currently beginning to develop the Paris Hills Phosphate Project, a development stage asset, located in Bear Lake County, Idaho, USA. STG is incorporated in Canada. In 2016, the Company's CEO, Mr. Brian Zatarain, was appointed as a Director to the Board of Directors of STG. On July 18, 2017, the Company acquired control of STG. See Note 2.

Balance as at December 31, 2016	\$ 2,213
Acquisition of 47,500,000 shares	725
Proportionate share of net loss	(77)
Proportionate share of other comprehensive loss	(103)
Impairment loss	(503)
CTA from investment in associate	96
Transfer to investment in consolidated subsidiaries	(2,351)
Balance at as at September 30, 2017	\$ -

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2017	December 31, 2016
Payroll related taxes payable	\$ 4,194	\$ 6,856
Taxes payable	4,381	6,768



Payroll payable	1,163	509
Trade payables	3,290	375
Accrued liabilities and other	4,594	4,837
	\$ 17,622	\$ 19,345

Payroll related taxes payable were \$4,194 and \$6,856 as of September 30, 2017 and December 31, 2016, respectively. Taxes payable were \$4,381 and \$6,768 as of September 30, 2017 and December 31, 2016, respectively. These balances primarily consist of overdue taxes related to ex-employees and payroll tax amounts. Interest has been accrued on these amounts.

On September 29, 2017, the Company applied to the new Brazilian tax amnesty program (PERT), which allows discounts on tax penalties and interest. The request was accepted, effective on the day of the filing and receipt of the first payment on September 29, 2017. The company opted to make a payment for the minimum amount of its consolidated tax liability and agreed to make future payment installments. The Company update of its short-term and long-term (See Note 11) tax liability position resulted in a reduction of its tax obligations.

10. PROVISIONS

	September 30, 2017	December 31, 2016
Legal contingencies	\$ 797	\$ 975
Environmental restoration	1,490	586
	2,287	1,561
Less: current portion	797	975
	\$ 1,490	\$ 586

11. DEBT, DEBENTURES AND OTHER LIABILITIES

a) Debt

On August 11, 2017, the Company received funding from Zaff and Pala Investments Limited ("Pala") in the aggregate amount of \$10,000. Those transactions were documented by means of a \$5,000 promissory note to Zaff and a \$5,000 promissory note to Pala. These promissory notes mature on January 31, 2018. The promissory notes have a 15% interest rate with interest payable quarterly.

On September 9, 2017, the Company received funding from Zaff in the amount of \$4,500 and documented such transaction by means of a promissory note to Zaff. This promissory note matures on February 28, 2018. This promissory note has a 15% interest rate with interest payable quarterly.

	Zaff	Pala	Total
Balance as at December 31, 2016	\$ -	\$ -	\$ -
Issuance of promissory notes	9,500	5,000	14,500
Interest accruals	144	97	241
	144	97	241



Balance as at September 30, 2017 \$ 9,644 \$ 5,097 \$ 14,741

Issuance of debt and conversion to equity

On February 23, 2017, the Company received funding from Zaff in the amount of \$3,000 and documented such transaction by means of a promissory note to Zaff (the “Zaff Note”). On March 9, 2017, Zaff settled the Zaff Note via the receipt of 1,906,541 shares in the Company.

b) Brazilian debentures and warrants

	September 30, 2017	December 31, 2016
Brazilian debentures ⁽¹⁾	\$ 1,866	\$ 2,062
Brazilian entity warrants (included in other current liabilities)	3,520	2,100
	5,386	4,162
Less: current portion	3,800	2,387
	\$ 1,586	\$ 1,775

⁽¹⁾ \$280 and \$287 included in other current liabilities as of September 30, 2017 and December 31, 2016, respectively.

Brazilian debentures of \$1,866 and \$2,062 as of September 30, 2017 and December 31, 2016, respectively, mature in ten years following the implementation of the Brazil restructuring. The instruments have a 10% interest rate with interest and principal paid in ten annual payments.

Brazilian warrants of \$3,520 and \$2,100, as of September 30, 2017 and December 31, 2016, respectively, are convertible into preferred shares of Itafos’ Brazilian subsidiaries at a conversion rate of R\$1 per share with an original expiration date of September 30, 2017. The expiration date was extended until November 13, 2017. The Brazilian warrants are recorded at fair value and are expected to be exercised by November 13, 2017. The fair value of the warrants has been recognized in other current liabilities.

c) Canadian debentures

	September 30, 2017	December 31, 2016
Canadian debentures	\$ 3,148	\$ 2,819
Less: current portion	830	340
	\$ 2,318⁽²⁾	\$ 2,479⁽²⁾

⁽²⁾ Balance includes interest accruals

Canadian debentures of \$3,148 and \$2,819, as of September 30, 2017 and December 31, 2016, respectively, were issued to Zaff and to Banco Modal S.A. (“Modal”). These debentures mature in 10 (ten) years, on October 27, 2026. The instruments had a 10% interest rate with interest and principal payable in ten annual payments.



On July 28, 2017, Zaff assigned to Modal C\$1,753 of the C\$2,584 convertible debenture issued by the Company to Zaff on October 27, 2016 (the “Zaff Debenture”). Following the assignment, the parties agreed to break into two separate instruments, the Zaff Debenture to reflect (i) Modal as the holder of C\$1,753 and (ii) Zaff as the holder of C\$831. In addition, the Company and Modal agreed to amend its convertible debentures of C\$1,107 and the C\$1,753. The amendments reduced the term from 10 years to 4 years and reduced the interest rate from 10% to 7.5%. As the change in future payment terms expected was determined to not be substantial, the amendments were recorded as a debt modification. Accordingly, the effective interest rate on the Modal debenture was recalculated at the amendment date based on the carrying value of the debt and the expected future payment terms and no gain or loss was recorded through profit and loss.

d) Warrants

Warrants of \$85 and \$0 as of September 30, 2017 and December 31, 2016, respectively, are related to the acquisition of control of STG. On July 18, 2017, 100,000,000 outstanding common share purchase warrants of STG were exchanged for 800,000 ordinary share purchase warrants of the Company. See Note 2.

12. OTHER LONG-TERM LIABILITIES

	September 30, 2017	December 31, 2016
Withholding taxes payable	\$ 7,716	\$ 6,295
Long-term taxes payable	4,543	966
Share-based payments	516	-
	\$ 12,775	\$ 7,261

Withholding taxes payable

Withholding taxes payable of \$7,716 and \$6,295 as of September 30, 2017 and December 31, 2016, respectively, are mainly related to the taxes payable to the Brazilian tax authorities resulting from intercompany loans between the Company’s subsidiaries. In accordance with intercompany loan agreements, these taxes are due after 2020 (upon maturity of the intercompany loans).

Long-term taxes payable

Long-term taxes payable of \$4,543 and \$966 as of September 30, 2017 and December 31, 2016, respectively, are primarily comprised of tax amounts (See Note 9 for further details).

Share-based payments

Share-based payments of \$516 and \$0 as of September 30, 2017 and December 31, 2016, respectively, are related to the restricted share units (“RSUs”) granted by the Company under the Company’s restricted share unit plan (the “RSU Plan”). During the first three quarters of 2017, the Company granted 1,709,380 RSUs under the Company’s RSU Plan. The maximum number of shares which may be reserved for issuance under the RSU Plan at any time is 5,213,403 shares. In accordance with the RSU Plan, the RSUs vest one-quarter on the second anniversary of the date of grant and three-quarters on the third anniversary of the date of grant. The RSU Plan allows the participant to elect to redeem its RSUs in exchange for shares or cash. The RSUs are accounted for as cash-settled share-based



payments with a liability being recognized for services acquired. The initial measurement is at the fair value of the liability considering the market price of the share. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period with any changes in fair value recognized in the consolidated statement of operations. For the three and nine months ended September 30, 2017, share-based payment expense of \$148 (net of \$109 change in fair value) and \$516 (net of \$109 change in fair value), respectively, has been recognized in the consolidated statement of operations.

	Number of RSUs
Balance as at December 31, 2016	-
Granted	1,709,380
Forfeiture	(67,500)
Balance as at September 30, 2017	1,641,880

13. SHARE CAPITAL

Authorized capital

The Company is authorized to issue up to 5,000,000,000 shares. There are no preferred shares issued or outstanding. On March 9, 2017, the Company completed a private placement of shares at a price of C\$2.10 per share and received net proceeds of \$32,840 (after deducting transaction costs of \$1,214). This amount includes the conversion of \$3,000 through the issuance of 1,906,541 shares to settle the Zaff Note. On July 18, 2017, an aggregate of 2,985,777 ordinary shares of the Company were issued to STG shareholders at an exchange ratio of 0.008 of a Company's share for each outstanding STG share for a net conversion of \$4,327 (See Note 2). As of September 30, 2017, and December 31, 2016, the Company had 82,304,284 and 57,528,838 issued and outstanding shares, respectively.

During 2016, the Company had a 1/100 share consolidation whereby, as the first step of the Company's CCAA restructuring process, the number of shares outstanding were reduced from 181,607,492 to 1,816,066. In addition, as part of the debt consolidation and forgiveness, the Company issued an additional 50,337,972 shares. Finally, the Company executed a private placement to raise \$10,000 in return for issuance of 5,374,800 shares.

Weighted-average number of shares and dilutive share equivalents

	<i>For the nine months ended September 30,</i>	
	2017	2016
Weighted average number of shares	74,791,127	1,816,066
Weighted average number of dilutive options and convertible debentures	-	-
Diluted weighted average number of shares	74,791,127	1,816,066

14. UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)

During the three months ended September 30, 2017 and 2016, the Company recognized an unrealized exchange loss of \$392 and \$1,923, respectively. During the nine months ended September 30, 2017 and 2016, the Company recognized an unrealized exchange loss of \$1,286 and an unrealized exchange gain of \$22,352, respectively. These amounts are primarily comprised of the unrealized loss resulting from translating monetary items denominated in



the Brazilian Real.

15. FINANCE INCOME (EXPENSE)

	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2017	2016	2017	2016
Interest expense	\$ 93	\$ (21,470)	\$ -	\$ (47,053)
Other financial expense	(7)	(212)	(27)	(643)
Interest income	48	-	49	-
Finance expense	\$ 134	\$ (21,682)	\$ 22	\$ (47,696)

16. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be involved in legal proceedings that arise in the ordinary course of its business. The amount of any ultimate liabilities (including interest and penalties) with respect to these actions is not expected to, in the opinion of management, materially affect Itafos' financial position, results of operations or cash flows. Based on the Company's knowledge and assessment of events as at September 30, 2017, the Company does not believe that the outcome of any of the matters, individually or in aggregate, not recorded in the financial statements would have a material adverse effect. The Company has currently accrued \$797 in relation to labor and other claims that have been made. The ultimate outcome of these claims is uncertain at this time and management is defending its position in each case.

17. SEGMENT REPORTING

Operating segments

Operating segments were identified based on internal information reviewed by the chief operating decision maker. Three segments were identified based on the geographical areas and the reporting structure. The Operations segment is comprised of activities at the Itafos Arraias SSP Operations. The Development and Exploration segment is comprised of activities related to the Itafos Santana Phosphate Project, the Itafos Araxa Project, STG and the Paris Hills Project and equity investee. The Corporate segment is comprised of activities related to administrative expenses in Brazil, United States, Barbados, Cayman Islands and the Netherlands. The relevant accounting policies of the equity investees are the same as the Company's accounting policies. Substantially all the Company's non-current assets are in Brazil and in the United States (other than the equity investments assets which are in West Africa).

<i>Nine months ended September 30, 2017</i>	Itafos Arraias SSP Operations	Development and Exploration	Corporate	Total
Operating expenses				
Selling, general and administrative expenses	\$ 6,491	\$ 350	\$ 6,250	\$ 13,091
Operating earnings (loss)	(6,491)	(350)	(6,250)	(13,091)
Unrealized foreign exchange gain	(4,034)	2,964	(216)	(1,286)



(loss)

Other Income (expense)	(3,609)	(117)	98	(3,628)
Finance (expense) income	(27)	-	49	22
Loss and impairment from investment in associates	-	(1,909)	-	(1,909)
Other expenses Brazilian warrants	(1,400)	-	-	(1,400)
Income (loss) before income taxes	(15,561)	588	(6,319)	(21,292)
Current and deferred income tax	-	-	1,183	1,183
Net income (loss)	\$ (15,561)	\$ 588	\$ (7,502)	\$ (22,475)

<i>Nine months ended September 30, 2016</i>	Itafos Arraias SSP Operations	Development and Exploration	Corporate	Total
Expenses				
Selling, general and administrative expenses	\$ 2,928	\$ 90	\$ 1,080	\$ 4,098
Operations care and maintenance expenses	15,078	-	-	15,078
Impairment and write-off of property, plant and equipment and mineral properties	6,920	6,861	882	14,663
Operating loss	(24,926)	(6,951)	(1,962)	(33,839)
Unrealized foreign exchange gain (loss)	12,516	17	9,819	22,352
Other income (expense)	1,872	52	(2,162)	(238)
Finance (expense) income	(47,907)	(3,239)	3,450	(47,696)
Loss from investment in associates	-	-	-	-
Loss before income taxes	(58,445)	(10,121)	9,145	(59,421)
Current and deferred Income tax	-	-	834	834
Net income (loss)	\$ (58,445)	\$ (10,121)	\$ 8,311	\$ (60,255)

<i>Three months ended September 30, 2017</i>	Itafos Arraias SSP Operations	Development and Exploration	Corporate	Total
Operating expenses				
Selling, general and administrative expenses	\$ 2,590	\$ 303	\$ 2,028	\$ 4,921
Operating earnings (loss)	(2,590)	(303)	(2,028)	(4,921)
Unrealized foreign exchange gain (loss)	(466)	214	(140)	(392)
Other Income (expense)	(1,540)	(47)	98	(1,489)
Finance (expense) income	(48)	-	182	134
Loss and impairment from investment in		(322)		(322)



associates				
Other expenses Brazilian warrants	(1,400)	-	-	(1,400)
Income (loss) before income taxes	(6,044)	(458)	(1,888)	(8,390)
Current and deferred income tax	-	-	573	573
Net loss	\$ (6,044)	\$ (458)	\$ (2,461)	\$ (8,963)

<i>Three months ended September 30, 2016</i>	Itafos Arraias SSP Operations	Development and Exploration	Corporate	Total
Expenses				
Selling, general and administrative expenses	\$ 1,557	\$ 28	\$ 396	\$ 1,981
Operations care and maintenance expenses	6,280	-	-	6,280
Impairment and write-off of property, plant and equipment and mineral properties	6,920	6,861	882	14,663
Operating loss	(14,757)	(6,889)	(1,278)	(22,924)
Unrealized foreign exchange gain (loss)	(1,558)	-	(365)	(1,923)
Other income (expense)	2,162	91	(2,162)	91
Finance income (expense)	(23,883)	1,043	1,158	(21,682)
Loss from investment in associates	-	-	-	-
Loss before income taxes	(38,036)	(5,755)	(2,647)	(46,438)
Current and deferred Income tax	-	-	305	305
Net loss	\$ (38,036)	\$ (5,755)	\$ (2,952)	\$ (46,743)

18. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital:

	September 30, 2017	September 30, 2016
Accounts receivable	\$ (106)	\$ (66)
Inventories	(7,546)	-
Other assets and prepaids	2,884	1,215
Accounts payable and accrued liabilities	1,030	(6,822)
Other liabilities and provisions	1,702	7,217
	\$ (2,036)	\$ 1,544



19. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Key management compensation

Key management includes directors and officers of the Company. The compensation paid or payable to key management for employee services is shown below:

	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2017	2016	2017	2016
Management compensation and director fees	\$ 366	\$ 252	\$ 1,971	\$ 790
Termination benefits related to restructuring	-	147	-	460
Other benefits	6	29	32	91
	\$ 372	\$ 428	\$ 2,003	\$ 1,341

Zaff Working Capital

On February 23, 2017, the Company received funding from Zaff in the amount of \$3,000 and documented such transaction by means of the Zaff Note. On March 9, 2017, Zaff settled the Zaff Note via the receipt of 1,906,541 shares.

GBL Promissory Note Receivable

On August 11, 2017, the Company provided a loan to GBL in the amount of \$2,500. See Note 7.

Zaff and Pala Promissory Notes

On August 11, 2017, the Company received funding from Zaff and Pala in the aggregate amount of \$10,000. On September 9, 2017, the Company received funding from Zaff in the amount of \$4,500. See Note 11.

20. FAIR VALUE MEASUREMENT AND RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk. These interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

Fair Value Measurement

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



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

Fair value measurements using unobservable inputs (level 3)

	Brazilian Warrants	Total
Opening balance January 1, 2017:	\$ 2,100	\$ 2,100
Losses recognized at proportionate share of subsidiary net assets valuation	1,420	1,420
Closing balance September 30, 2017:	\$ 3,520	\$ 3,520

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

The Company also has financial instruments which are not measured at fair value in the balance sheet. The carrying value of cash, accounts receivables, accounts payable, accrued liabilities, debt and debentures approximate their fair values in the condensed consolidated interim balance sheets. The fair values are not materially different to their carrying or amortized amounts, since the interest receivable and or payable is either close to current market rates or the instruments are short-term in nature.

21. SUBSEQUENT EVENTS

- On October 11, 2017, the Company received funding from Pala in the amount of \$2,000 and documented such transaction by means of a promissory note to Pala. This promissory note matures on January 31, 2018.
- On October 25, 2017 the following events took place:
 - Zaff assigned all its promissory notes to four (4) funds managed by Ice Canyon, a global investment management firm.
 - Pala assigned a promissory note in the principal amount of \$5,000 to one (1) of the funds managed by Ice Canyon.
 - the Company received funding from Zaff in the amount of \$9,500 and documented such transaction by means of a promissory note to Zaff. This promissory note matures on January 31, 2018.
 - the Company received funding from Pala in the amount of \$4,750 and documented such transaction by means of a promissory note to Pala. This promissory note matures on January 31, 2018.
- On November 7, 2017, the Company announced that it has signed a definitive arm's length purchase agreement with Agrium Inc. to acquire Agrium's Conda Phosphate Operations, an integrated producer of phosphate fertilizers and specialty products, for total cash consideration of approximately US\$100 million (which includes



inventory) on a cash and debt free basis. Conda Phosphate Operations, located in Conda, Idaho, which include phosphate production facilities and adjacent phosphate mineral rights, produces approximately 540,000 metric tons per year of mono-ammonium phosphate (“MAP”), super phosphoric acid (“SPA”), merchant grade phosphoric acid (“MGA”) and specialty products (“phosphate solutions”) and serves the North American fertilizer market. The transaction includes long-term strategic supply and off-take agreements. Under the terms of the supply and off-take agreements, Agrium will supply 100% of the ammonia requirements of Conda Phosphate Operations and purchase 100% of MAP product produced, with pricing formulas for both tied to benchmark phosphate fertilizer prices.