ITAFOS

(formerly MBAC Fertilizer Corp.)

Condensed Interim Consolidated Financial Statements

For the Three Months Ended
March 31, 2017 and 2016 (unaudited)

ITAFOS (formerly MBAC Fertilizer Corp.)
Condensed Interim Consolidated Balance Sheets
As at March 31, 2017 and December 31, 2016
(Unaudited and in thousands of United States dollars)

		March 31, 2017		December 31, 2016
ASSETS				
Current				
Cash	$	27,018	$	2,875
Accounts receivable		269		169
Inventories *(Note 4)*		548		481
Other current assets *(Note 5)*		6,285		3,212
		34,120		6,737
Non-Current				
Investments in associates *(Note 6)*		17,551		17,813
Other long-term assets *(Note 5)*		18,051		17,320
Property, plant and equipment *(Note 7)*		227,834		222,564
Mineral properties *(Note 8)*		40,324		40,324
Total Assets	$	337,880	$	304,758
LIABILITIES				
Current				
Accounts payable and accrued liabilities *(Note 9)*	$	25,296	$	19,345
Provisions *(Note 10)*		705		975
Current Debentures and Debt *(Note 11)*		416		340
Other current liabilities *(Note 11)*		2,432		2,387
		28,849		23,047
Non-Current				
Other long-term liabilities *(Note 12)*		8,003		7,261
Provisions *(Note 10)*		690		586
Long-term portion of Debentures and Debt *(Note 11)*		2,496		2,479
Other liabilities *(Note 11)*		1,886		1,775
Total Liabilities		41,924		35,148
SHAREHOLDERS' EQUITY				
Share capital *(Note 13)*		407,348		374,508
Contributed surplus		246,626		246,626
Cumulative translation adjustment reserve		7,246		7,171
Deficit		(365,264)		(358,695)
		295,956		269,610
Total Liabilities and Shareholders' Equity	$	337,880	$	304,758

Commitments and Contingencies *(Note 16)*
Subsequent events *(Note 21)*

ON BEHALF OF THE BOARD:

Signed: "Anthony Cina" — *Signed: "Brent de Jong"*

Anthony Cina, Director — Brent de Jong, Director

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

ITAFOS (formerly MBAC Fertilizer Corp.)
Condensed Interim Consolidated Statements of Operations
For the three months ended March 31, 2017 and 2016
(Unaudited and in thousands of United States dollars except for per share amounts)

	March 31, 2017	March 31, 2016
Operating expenses		
Selling, general and administrative expenses	$ 3,469	$ 757
Operations care and maintenance expenses	–	5,258
Operating loss	(3,469)	(6,015)
Unrealized foreign exchange gain (loss) *(Note 14)*	(767)	10,246
Other income (expense)	(1,608)	2
Finance expense *(Note 15)*	(79)	(8,096)
Loss from investment in associates *(Note 6)*	(337)	–
Loss before income taxes	(6,260)	(3,863)
Current and deferred income tax expense	309	251
Net loss	$ (6,569)	$ (4,114)
Basic and diluted net loss per share *(Note 13)*	$ (0.10)	$ (2.27)

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

ITAFOS (formerly MBAC Fertilizer Corp.)
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
For the three months ended March 31, 2017 and 2016
(Unaudited and in thousands of United States dollars)

	March 31, 2017	March 31, 2016
Net loss	$ (6,569)	$ (4,114)
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Cumulative translation adjustment from investment in associates	191	856
Share of other comprehensive loss from investment in associates	(116)	–
Comprehensive loss	$ (6,494)	$ (3,258)

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

ITAFOS (formerly MBAC Fertilizer Corp.)
Condensed Interim Consolidated Statements of Changes in Equity
For the three months ended March 31, 2017 and 2016
(Unaudited and in thousands of United States dollars except for number of shares)

	Share capital						
	Number of shares	Amount	Contributed surplus	Warrant reserve	Cumulative translation adjustment reserve	Deficit	Total equity
Balance, January 1, 2017	57,528,838	$374,508	$246,626	$ –	$7,171	$(358,695)	$269,610
Net loss for the period	–	–	–	–	–	(6,569)	(6,569)
Other comprehensive loss (net of tax):							
Cumulative translation adjustment from investment in associates	–	–	–	–	191	–	191
Share of other comprehensive loss from investment in associates	–	–	–	–	(116)	–	(116)
Comprehensive loss for the period	–	–	–	–	75	(6,569)	(6,494)
Issuance of shares from private placement, net *(Note 13)*	19,883,128	29,840	–	–	–	–	29,840
Issuance of shares from debt conversion *(Note 13)*	1,906,541	3,000	–	–	–	–	3,000
Balance, March 31, 2017	79,318,507	$407,348	$246,626	$ –	$7,246	$(365,264)	$295,956
Balance, January 1, 2016 *(Note 13(a))*	181,607,492	$262,235	$15,315	$8,621	$9,332	$(258,027)	$37,476
Net loss for the period	–	–	–	–	–	(4,114)	(4,114)
Other comprehensive income (net of tax):							
Cumulative translation adjustment	–	–	–	–	856	–	856
Comprehensive loss for the period	–	–	–	–	856	(4,114)	(3,258)
Share-based payment recovery	–	–	(217)	–	–	–	(217)
Exchange differences	–	17,604	1,023	579	(19,206)	–	–
Balance, March 31, 2016	181,607,492	$279,839	$16,121	$9,200	$(9,018)	$(262,141)	$34,001

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

ITAFOS (formerly MBAC Fertilizer Corp.)
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2017 and 2016
(Unaudited and in thousands of United States dollars)

	March 31, 2017	March 31, 2016
Cash provided by (used in):		
Operating activities		
Net loss	$ (6,569)	$ (4,114)
Adjusting items:		
Depreciation and depletion	–	4,012
Share-based payment (recovery) expense	196	(217)
Deferred income tax expense	309	251
Loss from investment in associates	337	–
Unrealized foreign exchange (gain) loss *(Note 14)*	767	(10,246)
Impairment and write-off on property, plant and equipment and mineral properties	–	118
Other financial expense *(Note 15)*	79	8,096
Net change in non-cash working capital *(Note 19)*	2,200	1,558
	(2,681)	(542)
Investing activities		
Acquisition of property, plant and equipment	(5,919)	–
	(5,919)	–
Financing activities		
Proceeds from debt financing	3,000	575
Net proceeds from issuance of shares	29,840	–
	32,840	575
Foreign currency effect on cash	(97)	(23)
Increase in cash	24,143	10
Cash (bank indebtedness), beginning of year	2,875	25
Cash, end of year	$ 27,018	$ 35

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

1. GENERAL INFORMATION AND RESTRUCTURING TRANSACTION

Itafos (the "Company") is a company 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. The Itafos Arraias SSP Operations consists of an integrated fertilizer producing facility located in central Brazil. 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. The Itafos Santana Project is a phosphate deposit located near the fertilizer market of Mato Grosso State and the animal feed market of Pará State. The Company's exploration portfolio also includes the Itafos Araxá Project (a rare-earth elements, niobium and phosphate deposit located near two operating mines with existing local infrastructure). In addition, at March 31, 2017, the Company owns an approximate 31.3% interest in GB Minerals Ltd. ("GBL") and an approximate 29.6% interest in Stonegate Agricom Ltd. ("STG"). GBL owns the Farim Project, a high-grade phosphate deposit located in Guinea Bissau. STG 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.

These unaudited condensed interim consolidated 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 CONSOLIDATION 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 Internal 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 May 18, 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$ and CAD are to the Canadian Dollar and R$ and BRL are to the Brazilian Real.

Change in functional currency

In Q1 2017, the Brazilian subsidiaries changed their functional currency from BRL 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 CAD to USD based on the location of the head office operations and financing of the entities.

Consolidation

These interim financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions are eliminated on 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, the Netherlands and Brazil. The Company also has non-controlling interests in GBL and STG. Please refer to Note 6 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. GBL and STG are accounted for by the equity method as the Company has significant influence over these entities but does not control them.

The Company is a subsidiary of Zaff LLC ("Zaff"), a Delaware limited liability company with offices in Houston, Texas, USA. As at March 31, 2017, Zaff beneficially owned, or controlled or directed, 65,868,991 shares of the Company, representing approximately 83.04% 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. In addition, the judgment has been made that as of January 1, 2017, the Itafos Arraias SSP Operations have re-commenced development and have finished the period of care and maintenance. From that date, 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.

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. There was no significant impact on the Company's interim financial statements because of new standards that became effective during 2017. There has been no update to the status of the assessment of accounting pronouncements applicable to future periods included in the Company's audited consolidated financial statements for the year ended December 31, 2016

4. INVENTORIES

	March 31, 2017	December 31, 2016
Raw materials	$ 728	$ 661
Work in process	9	9
Impairment	(189)	(189)
	$ 548	$ 481

5. OTHER ASSETS

	March 31, 2017	December 31, 2016
Tax credits	$ 18,378	$ 17,656
Advance to suppliers	5,416	2,364
Other	542	512
	24,336	20,532
Less: Current portion	6,285	3,212
	$ 18,051	$ 17,320

Tax credits

Tax credits consist of Brazilian state and federal taxes accumulated primarily on purchases of property, plant and equipment and can be applied to offset and potentially reimburse certain value added taxes and other taxes payable in future periods. As at March 31, 2017, the Company had tax credits of $18,378 (December 31, 2016 – $17,656) of which $393 (December 31, 2016 – $377) were included in “Other current assets”.

6. INVESTMENTS IN ASSOCIATES

The following investments are considered associates and are accounted for using the equity method in these consolidated financial statements.

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, representing approximately 36.5% interest in STG. On January 5, 2017, the Company decreased its investment in STG from 36.5% to approximately 29.6% upon closing of a non-brokered private placement by STG in which the Company did not participate. 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 and its shares are traded on the TSX. In 2016, the Company’s CEO, Mr. Brian Zatarain, was appointed as a Director to the Board of Directors of STG.

Balance as at December 31, 2016	$	2,213
Proportionate share of net income		30
Proportionate share of other comprehensive loss		(77)
CTA from investment in associate		20
Balance as at March 31, 2017	$	2,186

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, representing approximately 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 financial year end date of GBL is June 30.

Balance as at December 31, 2016	$	15,600
Proportionate share of net loss		(367)
Proportionate share of other comprehensive loss		(39)
CTA from investment in associate		171
Balance as at March 31, 2017	$	15,365

7. PROPERTY, PLANT AND EQUIPMENT

	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	–	–	75	5,195	5,270
Disposals	–	–	–	–	–
Balance as at March 31, 2017	$ 3,273	$ 128,078	$ 152,998	$ 5,195	$ 289,544
Accumulated Depreciation					
Balance as at December 31, 2016	$ –	$ 24,725	$ 36,985	$ –	$ 61,710
Depreciation for the period	–	–	–	–	–
Balance as at March 31, 2017	$ –	$ 24,725	$ 36,985	$ –	$ 61,710
Net Book Value					
As at December 31, 2016	$ 3,273	$ 103,353	$ 115,938	$ –	$ 222,564
As at March 31, 2017	$ 3,273	$ 101,710	$ 113,559	$ 5,195	$ 227,834

Effective January 1, 2017, the Itafos Arraias SSP Operations was determined to be in the development stage and the pre-commercial production costs began to be capitalized. Property, plant and equipment is not subject to depreciation due to being in the development stage during Quarter 1 2017.

8. 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	–	–	–	–
Balance as at March 31, 2017	$ 30,057	$ 12,005	$ (1,738)	$ 40,324

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2017	December 31, 2016
Trade payables	$ 2,092	$ 375
Payroll and related taxes payable	8,171	7,365
Taxes payable	6,711	6,768
Accrued liabilities and other	8,322	4,837
	$ 25,296	$ 19,345

Payroll and related taxes payable of $8,171 as at March 31, 2017 (December 31, 2016 – $7,365) and taxes payable of $6,711 as at March 31, 2017 (December 31, 2016 - $6,768) are primarily comprised of overdue taxes related to ex-employees and payroll tax amounts. Payment terms for those overdue taxes are being negotiated with the Brazilian tax authorities.

10. PROVISIONS

		March 31, 2017		December 31, 2016
Legal contingencies	$	705	$	975
Environmental restoration		690		586
		1,395		1,561
Less: Current portion		705		975
	$	690	$	586

11. DEBENTURES AND OTHER LIABILITIES

		March 31, 2017		December 31, 2016
Loans:				
Canadian debentures	$	2,912	$	2,819
Less: Current portion		416		340
	$	2,496	$	2,479[1]

Canadian debentures of $2,912 as at March 31, 2017 (December 31, 2016 - $2,819) were issued to Zaff and to Banco Modal S.A. in connection with the Canadian Restructuring Plan. These debentures mature in 10 years following the implementation of the Canadian Restructuring Plan on October 27, 2026. The instruments have a 10% interest rate with interest and principal payable in 10 annual payments.

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.

Brazilian Debentures and Warrants

		March 31, 2017		December 31, 2016
Brazilian debentures ($261 included in other current liabilities)	$	2,147	$	2,062
Other liabilities (Brazilian entity warrants included in other current liabilities)		2,171		2,100
	$	4,318	$	4,162
Less: current portion		2,432		2,387
	$	1,886	$	1,775

Brazilian debentures of $2,147 as at March 31, 2017 (December 31, 2016 - $2,062) mature in 10 years following the implementation of the Brazil restructuring. The instruments have a 10% interest rate with interest and principal paid in 10 annual payments.

[1] Balances include interest accruals.

Brazilian warrants of $2,171 as at March 31, 2017 (December 31, 2016 - $2,100) are convertible into preferred shares of Itafos' Brazilian subsidiaries at a conversion rate of one BRL per share and are recorded at its fair value. These warrants are expected to be exercised by Q3 2017. The fair value has been recognized in other current liabilities.

12. OTHER LONG-TERM LIABILITIES

		March 31, 2017		December 31, 2016
Withholding taxes payable	$	6,815	$	6,295
Long-term taxes payable		992		966
Share-based payments		196		–
	$	8,003	$	7,261

Withholding taxes payable

Withholding taxes payable of $6,815 as at March 31, 2017 (December 31, 2016 – $6,295) are mainly related to the taxes payable to the Brazilian tax authorities with respect to the intercompany loans between the Company's subsidiaries. These taxes are due upon maturity of the intercompany loans, which according to the intercompany loan agreements, would be after 2020.

Long-term taxes payable

Long-term taxes payable of $992 as at March 31, 2017 (December 31, 2016 – $966) is primarily comprised of tax amounts for which deferred payment is being negotiated with the Brazilian tax authorities.

Share-based payments

Share-based payments of $196 as at March 31, 2017 (December 31, 2016 – $0) are related to the restricted share units ("RSUs") granted by the Company under the Company's restricted share unit plan (the "RSU Plan"). During Q1 2017, the Company granted 1,565,730 RSUs under the Company's RSU Plan that had been previously adopted by the Company pursuant to the Canadian Restructuring. 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 as of March 31, 2017. 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. As at March 31, 2017, share-based payment expense of $196 has been recognized in the consolidated statement of operations.

	Number of RSUs
Balance as at December 31, 2016	–
Granted	1,565,730
Balance as at March 31, 2017	1,565,730

13. SHAREHOLDERS' EQUITY

(a) Authorized capital

The Company is authorized to issue up to 5,000,000,000 shares. There are no preference shares issued or outstanding. On March 9, 2017, the Company completed a private placement of shares at a price of CAD$2.10 per share for gross proceeds of approximately $34,054 (net of transaction costs of $1,214 for net proceeds $32,840). This amount includes the conversion of $3,000 through the issuance of 1,906,541 shares to settle the Zaff Note. As at March 31, 2017, the Company had 79,318,507 issued and outstanding shares

(December 31, 2016 – 57,528,838).

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 million in return for issuance of 5,374,800 shares.

(b) Weighted-average number of shares and dilutive share equivalents

	Three months ended	
	March 31 2017	March 31, 2016
Weighted average number of shares	63,097,309	1,816,066
Weighted average number of dilutive options and convertible debentures	–	–
Diluted weighted average number of shares	63,097,309	1,816,066

14. UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)

The unrealized exchange loss of $767 for Q1 2017 (Q1 2016 – gain of $10,246) was primarily comprised of the unrealized loss resulting from translating monetary items denominated in Brazilian Real.

15. FINANCE EXPENSE

	Three months ended			
		March 31, 2017		March 31, 2016
Interest expense	$	(69)	$	(8,047)
Other financial expense		(11)		(50)
Interest income		1		1
Finance expense	$	(79)	$	(8,096)

Interest expense in Q1 2017 of $69 (Q1 2016 – $8,047) was primarily related to interest incurred on debt.

16. CONTINGENCIES

The Company may be involved in legal proceedings from time to time 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 March 31, 2017, the Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse effect.

The Company has currently accrued $705 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. 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 consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These interim consolidated 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.

The Company's financial instruments consist of cash, accounts receivables, accounts payable and accrued liabilities, and debt and debentures. The carrying values of cash, accounts receivables, and accounts payable and accrued liabilities approximates their fair values.

	As at March 31, 2017				
	Carrying Value	Level 1	Level 2	Level 3	Total
Liabilities:					
Canadian debentures	2,912			2,912	2,912
Brazilian debentures	2,147			2,147	2,147
Other liabilities (Brazilian entity warrants)	2,171			2,171	2,171

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 year ended Q1 2017.

18. 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 Corporate segment is comprised of activities related to administrative expenses in Brazil, United States, Barbados, Cayman Islands, and the Netherlands. The Itafos 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 and the Itafos Araxá Project and equity investees. The 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 (other than the equity investments assets which are in the USA and West Africa).

For the three months ended March 31, 2017:

	Itafos Arraias SSP Operations	Development & Exploration	Corporate	Total
Operating expenses				
Selling, general and administrative expenses	$ 2,149	$ 29	$ 1,291	$ 3,469
Operating earnings (loss)	(2,149)	(29)	(1,291)	(3,469)
Unrealized foreign exchange gain (loss)	(2,743)	554	1,422	(767)
Other income (expense)	(1,559)	(49)	–	(1,608)
Finance (expense) income	(15)	(1)	(63)	(79)
Gain (loss) from investment in associates	–	(337)	–	(337)
Income (loss) before income taxes	(6,466)	138	68	(6,260)
Income tax expense	–	–	309	309

Net income (loss)	$ (6,466)	$ 138	$ (241)	$ (6,569)

For the three months ended March 31, 2016:

	Itafos Arraias SSP Operations	Development & Exploration	Corporate	Total
Operating expenses				
Selling, general and administrative expenses	$ 446	$ 25	$ 286	$ 757
Operations care and maintenance expenses	5,258	–	–	5,258
Operating earnings (loss)	(5,704)	(25)	(286)	(6,015)
Unrealized foreign exchange gain (loss)	6,423	9	3,814	10,246
Other income (expense)	4	(2)	–	2
Finance expense	(8,877)	(286)	1,067	(8,096)
Income (loss) before income taxes	(8,154)	(304)	4,595	(3,863)
Income tax expense	–	–	251	251
Net income (loss)	$ (8,154)	$ (304)	$ 4,344	$ (4,114)

19. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital items:

	Three months ended	
	March 31, 2017	March 31, 2016
Accounts receivable	$ (100)	$ (8)
Inventories	(67)	–
Other assets	(2,438)	138
Accounts payable and accrued liabilities	4,721	1,540
Other liabilities	84	(112)
	$ 2,200	$ 1,558

20. 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:

	Three months ended	
	March 31, 2017	March 31, 2016
Management compensation and director fees	$ 742	$ 269
Termination benefits related to restructuring	–	157
Other benefits	13	31
	$ 755	$ 457

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 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.

21. SUBSEQUENT EVENTS

On April 17, 2017, the Company's interest in STG increased to approximately 35.4% upon the closing of a non-brokered private placement by STG in which the Company subscribed to all the shares for cash consideration of C$950.