Consolidated Financial Statements
for the years ended December 31, 2018 and 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The consolidated financial statements, the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of management of Itafos and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated financial statements, where necessary, include amounts which reflect management's best estimates and judgments based on current available information. To provide reasonable assurance that the Company's assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable, Itafos maintains systems of internal accounting and administrative controls.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board is ultimately responsible for reviewing and approving the audited consolidated financial statements and the accompanying management's discussion and analysis.

The Audit Committee meets periodically with management and the independent auditors to review internal accounting controls, auditing matters, financial reporting issues, and to satisfy itself that all parties are properly discharging their responsibilities. The Audit Committee also reviews the consolidated financial statements, the management's discussion and analysis of financial results, and the independent auditor's report. The Audit Committee also considers and recommends the engagement or reappointment of the external auditors to the shareholders. The Audit Committee reports its findings to the Board of Directors for its approval of the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited, on behalf of the shareholders, by the Company's independent auditors, PricewaterhouseCoopers LLP, in accordance with Canadian generally accepted auditing standards. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

Signed "Brian Zatarain"
BRIAN ZATARAIN
Chief Executive Officer

Signed "George Burdette"
GEORGE BURDETTE
Chief Financial Officer

April 4, 2019

Independent auditor's report

To the Shareholders of Itafos

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Itafos and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is James Lusby.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 4, 2019

CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2018 AND 2017

(in thousands of US Dollars)	*As at December 31,* **2018**	2017
Assets		
Cash and cash equivalents	$ 9,919	$ 63,677
Accounts receivable	35,907	116
Short-term investments *(Note 7)*	2,106	–
Inventories, net *(Note 8)*	133,840	8,277
Other current assets *(Note 12)*	12,704	9,005
Total current assets	**$ 194,476**	$ 81,075
Property, plant and equipment, net *(Note 10)*	245,418	263,427
Mineral properties, net *(Note 11)*	124,286	47,195
Investments in associates *(Notes 13)*	–	15,074
Deferred tax assets *(Notes 24)*	1,157	–
Other long-term assets *(Note 12)*	11,082	14,520
Total non-current assets	**$ 381,943**	$ 340,216
Total assets	**$ 576,419**	$ 421,291
Liabilities		
Accounts payable and accrued liabilities *(Note 14)*	$ 75,601	$ 16,888
Provisions *(Note 15)*	494	542
Current debt *(Note 16a)*	325	25,530
Contract liabilities	2,067	–
Current debentures *(Note 16b)*	942	1,193
Total current liabilities	**$ 79,429**	$ 44,153
Long-term debt *(Note 16a)*	160,258	–
Long-term debentures *(Note 16b)*	2,588	3,769
Deferred tax liabilities *(Note 24)*	14,961	–
Long-term provisions *(Note 15)*	39,148	2,952
Other long-term liabilities *(Note 17)*	8,256	8,818
Total long-term liabilities	**$ 225,211**	$ 15,539
Total liabilities	**$ 304,640**	$ 59,692
Equity		
Share capital *(Note 18)*	515,029	486,562
Contributed surplus	246,626	246,626
Cumulative translation adjustment reserve	3,655	8,455
Deficit	(502,593)	(389,106)
Equity attributable to shareholders of the parent	**$ 262,717**	$ 352,537
Non-controlling interest *(Note 18)*	9,062	9,062
Total equity	**$ 271,779**	$ 361,599
Total liabilities and equity	**$ 576,419**	$ 421,291

Commitments and contingencies (Note 25) and subsequent events (Note 30)

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

Approved by the Board of Directors

Signed “Anthony Cina”
ANTHONY CINA
Director

Signed “Brent de Jong”
BRENT DE JONG
Chairman

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	For the years ended December 31,			
(in thousands of US Dollars except for per share amounts)		**2018**		2017
Revenues, net *(Note 20)*	**$**	**302,182**	$	–
Cost of goods sold		276,553		–
Impairments *(Note 9)*		146,627		–
	$	**(120,998)**	$	–
Expenses				
Selling, general and administrative expenses *(Note 21)*		21,788	$	19,447
Operating loss		**(142,786)**		(19,447)
Foreign exchange loss *(Notes 22 and 29)*		(665)		(1,165)
Other income (expense)		(653)		2,740
Gain on fair valuation of Itafos Conda, net *(Note 6)*		46,902		–
Finance expense, net *(Note 23)*		(15,866)		(1,263)
Gain (loss) from investments in associates *(Note 13)*		7,910		(2,400)
Warrant expense *(Note 18)*		–		(6,962)
Loss before income taxes	**$**	**(105,158)**	$	(28,497)
Current and deferred income tax expense *(Note 24)*		8,329		1,914
Net loss attributable to shareholders of the parent	**$**	**(113,487)**	$	(30,411)
Net loss attributable to non-controlling interest		–		–
Net loss	**$**	**(113,487)**	$	(30,411)
Basic loss per share *(Note 19)*	**$**	**(0.82)**	$	(0.39)
Fully diluted loss per share *(Note 19)*	**$**	**(0.82)**	$	(0.39)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands of US Dollars)	*For the years ended December 31,* 2018	2017
Net loss	**$ (113,487)**	$ (30,411)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustment *(Note 29)*	(4,800)	1,284
Total other comprehensive loss attributable to shareholders of the parent	**$ (118,287)**	$ (29,127)
Other comprehensive loss attributable to non-controlling interest	**–**	–
Total other comprehensive loss	**$ (118,287)**	$ (29,127)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands of US Dollars except for number of shares)	Number of shares	Amount	Contributed surplus	Cumulative translation adjustment reserve	Deficit	Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
Balance as at January 1, 2018	**128,018,569**	**$ 486,562**	**$ 246,626**	**$ 8,455**	**$ (389,106)**	**$ 352,537**	**$ 9,062**	**$ 361,599**
Net loss	–	–	–	–	(113,487)	(113,487)	–	(113,487)
Accumulated other comprehensive income (loss)								
Cumulative translation adjustment *(Note 29)*	–	–	–	(4,800)	–	(4,800)	–	(4,800)
February 2018, Issuance of shares as part of the GBL Arrangement (*Note 6*)	11,301,732	23,335	–	–	–	23,335	–	23,335
June 2018, Issuance of shares in connection with the Facility (*Note 16*)	2,750,000	5,132	–	–	–	5,132	–	5,132
Balance as at December 31, 2018	**142,070,301**	**$ 515,029**	**$ 246,626**	**$ 3,655**	**$ (502,593)**	**$ 262,717**	**$ 9,062**	**$ 271,779**
Balance as at January 1, 2017	**57,528,838**	**$ 374,508**	**$ 246,626**	**$ 7,171**	**$ (358,695)**	**$ 269,610**	**$ –**	**$ 269,610**
Net loss	–	–	–	–	(30,411)	(30,411)	–	(30,411)
Accumulated other comprehensive income (loss)								
Cumulative translation adjustment *(Note 29)*	–	–	–	1,284	–	1,284	–	1,284
March 2017, Issuance of shares from private placement and debt conversion (*Note 18*)	21,789,669	32,840	–	–	–	32,840	–	32,840
July 2017, Issuance of shares as part of the STG Arrangement (*Note 6*)	2,985,777	4,327	–	–	–	4,327	–	4,327
December 2017 private placement *(Note 18)*	45,714,285	74,887	–	–	–	74,887	–	74,887
Warrant conversion into non-controlling interest *(Note 18)*	–	–	–	–	–	–	9,062	9,062
Balance as at December 31, 2017	**128,018,569**	**$ 486,562**	**$ 246,626**	**$ 8,455**	**$ (389,106)**	**$ 352,537**	**$ 9,062**	**$ 361,599**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands of US Dollars)	*For the years ended December 31,* **2018**	2017
Operating activities		
Net loss	$ (113,487)	$ (30,411)
Adjustments for the following items:		
Depreciation and depletion	27,069	125
Cash settlement of share-based payments *(Note 17)*	(140)	–
Share-based payment (recovery) expense	21	994
Current and deferred income tax expense	8,329	1,450
Gain on fair valuation of Itafos Conda, net *(Note 6)*	(46,902)	–
Loss on Brazilian warrants	–	6,962
(Gain) loss from investments in associates *(Note 13)*	(7,910)	2,400
Unrealized foreign exchange loss *(Note 22)*	693	1,165
Impairments *(Note 9)*	146,627	–
Finance expense, net *(Note 23)*	15,866	1,263
Net change in non-cash working capital (*Note 27*)	(48,905)	(9,690)
Cash flows from operating activities	**$ (18,739)**	$ (25,742)
Investing activities		
Addition of property, plant and equipment and mineral properties	$ (63,325)	$ (38,421)
Acquisition of Itafos Conda *(Note 6)*	(66,500)	–
Cash received from Itafos Conda working capital adjustment *(Note 6)*	6,872	–
Cash received from Itafos Conda at acquisition *(Note 6)*	725	–
Short-term investments *(Note 7)*	(2,106)	–
Acquisition of GBL *(Note 6)*	(25,539)	–
Issuance of promissory note to GBL *(Note 12)*	(4,500)	(5,000)
Cash received from GBL at acquisition *(Note 6)*	2,898	–
Investments in associates *(Note 13)*	–	(930)
Cash flows from investing activities	**$ (151,475)**	$ (44,351)
Financing activities		
Proceeds from debt financing (*Note 16a*)	$ 132,671	$ 24,000
Repayment of debt financing (*Note 16a*)	(4,966)	–
Payment of interest expense	(8,733)	–
Payment of financing related costs (*Note 16a*)	(2,079)	–
Proceeds from debt financing subsequently settled with issuance of shares	–	9,750
Net proceeds from issuance of shares *(Note 18)*	–	97,027
Cash flows from financing activities	**$ 116,893**	$ 130,777
Effect of foreign exchange of non-US-Dollar denominated cash	**$ (437)**	$ 118
Increase (decrease) in cash	(53,758)	60,802
Cash, beginning of period	63,677	2,875
Cash, end of period	**$ 9,919**	$ 63,677

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

(amounts in thousands of US Dollars)

1. GENERAL COMPANY INFORMATION

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

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

- Itafos Conda – a vertically integrated phosphate fertilizer business that produces and sells monoammonium phosphate ("MAP"), superphosphoric acid ("SPA"), merchant grade phosphoric acid ("MGA") and specialty products including ammonium polyphosphate ("APP") located in Idaho, US;
- Itafos Arraias – a vertically integrated phosphate fertilizer business that produces and sells single superphosphate ("SSP"), SSP with micronutrients ("SSP+") and excess sulfuric acid located in Tocantins, Brazil;
- Itafos Paris Hills – a phosphate mine project located in Idaho, US;
- Itafos Farim – a phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Santana – a vertically integrated phosphate fertilizer project located in Pará, Brazil;
- Itafos Araxá – a vertically integrated phosphate and rare earth oxide project located in Minas Gerais, Brazil; and
- Itafos Mantaro – a phosphate mine project located in Junin, Peru.

The Company's principal shareholder is CL Fertilizers Holding LLC ("CLF"), formerly known as Zaff LLC. CLF is an affiliate of Castlelake L.P., a global private investment firm. CLF is a Delaware limited liability company with offices in Minnesota, US. As at December 31, 2018, CLF beneficially owned and controlled 81,980,064 shares of the Company, representing approximately 57.7% of the issued and outstanding shares on an undiluted basis. As at December 31, 2017, CLF beneficially owned and controlled 81,452,992 shares of the Company, representing approximately 63.6% of the issued and outstanding shares on an undiluted basis. CLF is a related party (see Note 28).

The Company's shares trade on the TSX Venture Exchange ("TSXV") under the trading symbol "IFOS". 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 financial statements have been prepared by management in accordance with 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").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 4, 2019.

GOING CONCERN BASIS

These consolidated 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. For the year ended December 31, 2018, the Company reported a net loss of $113,487 and an accumulated deficit of $502,593. In 2018, the Company continued to generate net financing proceeds from the issuance of debt financing and shares. The Company has also received commitment from CLF to continue to provide financial support as required to meet its liabilities as and when they become due to ensure business continuity and ongoing operations over the next 14 months.

BASIS OF PRESENTATION

As at December 31, 2018, the Company has reclassified certain items to conform with current period presentation as follows:

- For the year ended December 31, 2017, the Company included $1,051 and $118 of selling, general and administrative expenses in the corporate segment that have been reclassified in the Itafos Arraias and development and exploration segments, respectively (see Note 26);
- As at December 31, 2017, the Company included $49 and $184 of current debentures in accounts payable and accrued liabilities and other current liabilities, respectively that have been reclassified to current debentures (see Note 16); and
- As at December 31, 2017, the Company included $85 and $1,529 of warrants and long-term debentures, respectively in other liabilities that have been reclassified to other long-term liabilities and long-term debentures, respectively (see Notes 16 and 17).

CURRENCIES

The Company's presentation currency is US Dollars ("$") and its functional currency is US Dollars except for its subsidiary GB Minerals Ltd. ("GBL"), whose functional currency is Canadian Dollars ("C$") and Itafos Farim, Sarl (formerly known as GB Minerais Sarl), a wholly-owned subsidiary of GBL, whose functional currency is Central African Francs. Beginning in 2017, the Company changed the functional currency of its Brazilian subsidiaries from Brazilian Reals ("R$") to US Dollars.

CONSOLIDATION

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

As at December 31, 2018 and 2017, the Company had subsidiaries located in Barbados, Brazil, the British Virgin Islands, Canada, the Cayman Islands, Guinea-Bissau, the Netherlands, Peru, Portugal, Switzerland and the US. During 2018, GBL became a wholly-owned subsidiary when the Company acquired all of the issued and outstanding common shares of GBL not previously owned, directly or indirectly, by the Company (see Note 6). As at December 31, 2017, the Company accounted for GBL by the equity method as the Company had significant influence over GBL but did not control it.

During 2018, Brazilian warrants held by third parties with an expiration date of December 31, 2017 were converted into shares, resulting in a non-controlling interest ("NCI") in Itafos Arraias and Itafos Santana recorded as at December 31, 2017.

As at December 31, 2018 and 2017 the Company had NCI as follows:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant account policies are summarized below. The Company has adopted and applied consistently such significant accounting policies except with respect to the retrospective adoption of IFRS 9 Financial Instruments ("IFRS 9") on January 1, 2018 (see Note 5).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term investments with terms of less than 90 days.

INVENTORIES

Inventories consist of the following:

- Raw materials including ore extracted from mine sites, ore stockpiled at the production facilities and chemicals used to produce phosphate-based fertilizers;
- Work in process including inventories that are currently in the process of being converted to saleable product;
- Finished goods including inventories of SPA, MAP, MGA, APP, SSP, SSP+ and sulfuric acid in saleable form; and
- Spare parts including commodity consumables and other materials used in the production process as well as spares and maintenance supplies that are not classified as capital items.

Inventories are valued at the lower of cost and net realizable value. Prior to commercial production, any adjustment from book value to net realizable value is capitalized to property, plant and equipment (see COMMENCEMENT OF COMMERCIAL PRODUCTION in this Note 3 below). Reversals of previous write-downs are made when there is an increase in the value of inventories.

Costs include materials, direct labor, other direct costs and production overhead and amortization of plant, equipment and mineral properties directly involved in the mining and production processes. These costs are allocated to raw materials, work in process and finished goods based on the costs incurred in the applicable stage of processing. Overhead (indirect costs) are allocated based on normal levels of production. In periods where the Company produces at less than normal capacity, unallocated overhead costs are recognized as an expense in cost of sales in the period in which they are incurred. Prior to the commencement of commercial production, such costs are capitalized to property, plant and equipment (see COMMENCEMENT OF COMMERCIAL PRODUCTION in this Note 3 below). As finished goods are sold, costs are removed on a weighted-average basis.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less depreciation and impairments. Cost includes all expenditures incurred to prepare the asset for its intended use. Costs are also capitalized to the extent they improve the productive capacity or extend the useful economic life of an asset. Depreciation commences when an asset is available for use.

For the major categories of property, plant and equipment, the Company considers depreciation methods and useful lives as follows:

	Depreciation method	Useful life
Land	Not depreciated	–
Buildings and plant	Straight line	3 – 25 years
Machinery, equipment and other	Straight line	2 – 10 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

The Company derecognizes property, plant and equipment upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized within other income (loss) in the statement of operations.

The Company reviews and tests the carrying value of its property, plant and equipment when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration (see IMPAIRMENTS in this Note 3 below).

CAPITALIZED INTEREST

The Company capitalizes interest for qualifying assets. Qualifying assets are assets that require more than one year to prepare for their intended use, including projects that are in development or construction stages. Capitalized interest costs are included in costs of the qualifying assets and are determined based on gross expenditures incurred on the asset. Capitalization ceases when the development or construction of asset is substantially complete, and asset is ready for intended use or active development or construction is suspended. Where the funds used to finance a qualifying asset form part of general borrowings, the borrowing costs eligible for capitalization are determined by applying a capitalization rate, which is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, to the expenditures on the asset. Capitalized interest costs are amortized on the same basis as the related qualifying asset.

ASSETS UNDER CONSTRUCTION

Assets in the course of construction are capitalized as assets under construction. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment, and depreciation commences when the asset is available for its intended use.

COMMENCEMENT OF COMMERCIAL PRODUCTION

Costs specific to operations prior to commercial production, including depreciation of related plant and equipment, are capitalized and proceeds from sales during this period are offset against costs capitalized. Upon the achievement of commercial production, the capitalization of costs incurred ceases and revenues and costs are reflected in the statement of operations. The capitalized costs are expected to be depreciated over the useful life of the related asset.

PLANT TURNAROUND COSTS

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

MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENDITURES

The Company accounts for its development projects including (i) Itafos Paris Hills, (ii) Itafos Farim, (iii) Itafos Santana, (iv) Itafos Araxá and (v) Itafos Mantaro under IFRS 6 Exploration for and Evaluation of Mineral Resources.

Exploration and evaluation assets acquired as part of an asset acquisition are capitalized at cost, which represents the fair value of the assets at the time of acquisition.

Costs incurred in the exploration and evaluation of mineral reserves and mineral resources include permitting activities, geological and geophysical expenses, costs of drilling and general and administrative costs related to exploration and evaluation activities. Such costs are expensed until such time as the technical and commercial viability of extracting mineral reserves and mineral resources from the assets is demonstrated, at which point, the project is considered economically feasible and designated as a development project. Costs incurred subsequent to this designation are capitalized until commercial production commences or it is determined that the capitalized amounts will not be recovered.

During commercial production, capitalized acquisition costs and capitalized exploration and evaluation costs are amortized using the unit-of-production method based on the estimated economically recoverable mineral reserves and mineral resources.

Changes in circumstances, including market dynamics, can cause continued production or further development to no longer be economically feasible. In such circumstances, the Company may elect to place its operating businesses or development projects in care and maintenance. During care and maintenance, depreciable assets continue to be depreciated, as appropriate, over their useful economic lives.

DEFERRED STRIPPING COSTS

In mining operations, it is necessary to remove overburden and waste to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred prior to commercial production are capitalized to mineral properties and include costs to (i) improve access to ore body to be mined in the future, (ii) increase the fair value of the mine as access to future mineral reserves become less costly and (iii) increase the production capacity or extend the life of mine. Such capitalized stripping costs are amortized on a unit-of-production method over the mineral reserves and mineral resources to which such costs relate. Stripping costs incurred during production of a mine are accounted for as a cost of producing those inventories during the period that the stripping costs are incurred.

IMPAIRMENTS

In accordance with IAS 36 Impairment of Assets, the Company reviews the carrying amounts of its investments in associates and non-current assets including property, plant and equipment and mineral property for impairment whenever facts and circumstances indicate that the recoverable amounts are less than the carrying values. Whenever indications of impairment exist, the Company estimates the recoverable amounts of the asset in order to compare such estimated recoverable amount to its carrying value. An impairment is recognized for any excess of the carrying value of an asset over its estimated recoverable amount. The Company conducts impairment assessments on its assets at the level of the cash generating unit ("CGU") to which the asset belongs. The Company's CGUs are considered to be its operating businesses, including Itafos Conda and Itafos Arraias, and its development projects, including Itafos Paris Hills, Itafos Farim, Itafos Santana, Itafos Araxá and Itafos Mantaro.

The Company determines the recoverable amount of a CGU as the higher of its fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to the disposal of an asset. The most appropriate measure of FVLCD is a market price, which would be classified within Level 1 or Level 2 of the fair value hierarchy. If a market price is not available, FVLCD is calculated considering a discounted cash flow methodology considering estimated cash flows from the perspective of an independent market participant, which would be classified within Level 3 of the fair value hierarchy. For earlier stage projects where a discounted cash flow methodology is not appropriate, FVLCD is calculated considering market data points including comparable public company and transaction valuations, which would be classified with Level 3 of the fair value hierarchy (see Note 29). VIU is calculated considering a discounted cash flow methodology considering estimated cash flows from the perspective of continuing use of the CGU in its present state.

The Company tests assets that have been impaired in prior periods for possible reversal of impairment whenever facts and circumstances indicate that the impairment may have reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount, but not beyond the carrying amount that would have been determined, net of depreciation, had no impairment been recognized for the asset in prior periods.

BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently recorded at amortized cost using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan, are capitalized as a pre-payment for liquidity services and amortized using the effective interest rate method over the period of the facility to which it relates.

ENVIRONMENTAL AND ASSET RETIREMENT OBLIGATIONS

The Company recognizes the present value of its environmental and asset retirement obligations in the period in which they are incurred and when a reasonable estimate of the fair value of such obligations can be made. The present value of the estimated environmental and asset retirement obligations is recorded as a long-term liability, with a corresponding increase in the carrying amount of mineral properties or property plant and equipment. The capitalized amount is amortized to expense through depletion or depreciation over the life of the asset. The liability amount is updated each reporting period due to the passage of time and the amount of this accretion is charged to earnings in the period.

Revisions, if any, to the estimated timing of cash flows, to the original estimated undiscounted cost, or to update the discount rate to a current rate, if any, also result in an increase or decrease to the environmental and asset retirement obligations and the related asset. Actual costs incurred upon settlement of the environmental and asset retirement obligations are charged against the environmental and asset retirement obligations to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the environmental and asset retirement obligations and the recorded liability is recognized as a gain or loss in the Company's earnings in the period in which the settlement occurs. Costs arising from unforeseen remediation activity are recognized as an expense and liability when the event occurs that gives rise to an obligation and reliable estimates of the required rehabilitation costs can be made.

In connection with the acquisition of Itafos Conda from subsidiaries of Agrium, Inc ("Agrium"), a wholly-owned subsidiary of Nutrien Ltd., Agrium agreed to assume full liability for all environmental and asset retirement obligations relating to the pre-closing operations of Itafos Conda. As current owner and operator of Itafos Conda, the Company will be liable for certain environmental and asset retirement obligations relating to the post-closing operations of Itafos Conda. Accordingly, the Company recognizes the present value of its respective share of environmental and asset retirement obligations relating to the post-closing operations of Itafos Conda (see Note 6).

RESTRICTED SHARE UNITS

The Company issues restricted share units ("RSUs") under the Company's restricted share unit plan (the "RSU Plan") to compensate selected employees. Each RSU granted under the Company's RSU Plan has a value equal to one common share. RSUs typically vest within three years and upon vesting the employee will receive either cash or common shares, depending on the terms of the grant. A liability for RSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The liability is recognized on a straight line basis over the vesting period, with a corresponding charge to compensation expense, as a component of selling, general and administrative expenses within the corporate segment. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted (see Note 17).

SHARE ISSUANCE COSTS

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

NCI

NCI in the Company's less than wholly-owned subsidiaries are classified as a separate component of equity. For NCI, the net assets and net profit attributable to outside shareholders are presented as amounts attributable to NCI in the consolidated balance sheet and consolidated statements of operations (see Note 2).

REVENUE RECOGNITION

Revenues from Sale of Goods

The Company's revenues consist of Itafos Conda sales of MAP, SPA, MGA and APP to its customers in the North American market and Itafos Arraias sales of SSP, SSP+ and excess sulfuric acid in the Brazilian market. The Company recognizes revenue from these sales when control of the product has transferred to the customer as specified by the contract delivery terms agreed with the customer (e.g., Free on Board, Freight Paid Allowance, Delivery Prepaid). The control of the product has transferred to the customer when the customer has legal title to and the risk and rewards of ownership of the product and the customer is able to direct the use of and obtain substantially all of the remaining benefits from the product. Revenue is measured at the transaction price agreed under the contract. With the exception of Itafos Conda's MAP offtake agreement (see Note 6), the Company's customer contract terms do not typically extend beyond 12 months from commencement. Accordingly, transaction price to unfulfilled performance obligations and financing components of customer contracts do not have a significant impact on the presentation and disclosure of financial statements. Individual customer orders are placed in accordance with underlying contract terms. Customer orders are typically fulfilled within 30 days or less from receipt of the order. Payment of the transaction price is due based on the terms stated in the contract. Typically, payments are received 30-60 days from the invoice date.

Variable Consideration

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

Contract Liabilities

The Company recognizes consideration received from customers for performance obligations not yet met as contract liabilities. As performance obligations are met the contract liabilities are amortized and recognized as revenues.

TAXES

Income Tax

Income tax considers current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted in the countries where the Company and its subsidiaries operate and generate taxable income, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a

non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Indirect Tax

Indirect tax recoverable is recorded at its undiscounted amount and is disclosed as non-current if not expected to be recovered within 12 months.

NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted net income (loss) per share is calculated using the treasury stock method and reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted net income (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. The calculation of basic and diluted net income (loss) for all periods presented is adjusted retrospectively when the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue, or share split, or decreases as a result of a reverse share split.

FOREIGN CURRENCY TRANSLATION

Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates. Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from period end remeasurement of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of operations under foreign exchange gain(loss).

Presentation currency

The presentation currency of the Company is US Dollars. The Company translates the financial statements of its subsidiaries with functional currencies other than US Dollars to US Dollars as follows:

- Applying the closing exchange rate as at the balance sheet date to balance sheet balances with translation gains and losses recorded in other comprehensive income (loss);
- Applying the average exchange for the period to income and expenses except for expenses that related to non-monetary assets and liabilities measured at historical rates; and
- Applying the historical exchange rate for income and expenses related to non-monetary assets and liabilities.

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

For the years ended December 31, 2018 and 2017, the Company has no hedges on its consolidated financial statements. The adoption of IFRS 9 did not result in a change in the carrying values of any of the Company's financial instruments on the transition date.

SEGMENT REPORTING

The Company reports across four segments including (i) Itafos Conda, (ii) Itafos Arraias, (iii) development and exploration and (iv) corporate. The development and exploration segment is comprised of activities related to (i) Itafos Paris Hills, (ii) Itafos Farim, (iii) Itafos Santana, (iv) Itafos Araxá and (v) Itafos Mantaro. The Corporate segment is comprised of support, administrative and financing activities (see Note 26).

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Evaluations of estimates and judgments occur continuously. Estimates and judgments are based on historical experience and other factors including expectations of future events that are considered reasonable under the circumstances. If the Company's financial condition, changes in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period, estimates are deemed critical. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the financial statements of future periods.

ESTIMATE OF FAIR VALUE OF BUSINESS COMBINATION

The Company accounted for the acquisition of Itafos Conda as a business combination and has completed a process of fair valuing the net assets acquired (see Note 6).

CRITICAL JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

Ability to Continue as a Going Concern

Significant judgments are used in the Company's assessment of its ability to continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of operations (see Note 2).

Carrying Values and Impairment Charges

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

Determination of Economic Viability of Mineral Property

Management has determined that costs associated with projects which have been capitalized have future economic benefits and are economically recoverable. In making this judgment, management assessed various sources of information including but not limited to the geologic and metallurgic information, the existence of economically recoverable mineral reserves and mineral resources, the ability of the Company to obtain the funding necessary to complete exploration and development activities and the future profitability, all of which are subject to significant risks and uncertainties.

Development Status

Effective January 1, 2018, Itafos Arraias was determined to be in development stage and finished care and maintenance. As a result, costs prior to commercial production, including interest incurred on qualifying assets and depreciation of applicable assets, have been capitalized where used in the development of the operations.

Commencement of Commercial Production

The Company assesses each of its development projects to determine when the project moves into commercial production. Judgment is required in determining when a project moves into commercial production and its property, plant and equipment are available for use. The Company considers that an asset is available for use when it is in the location and condition necessary to operate in the manner intended by management. At that time, the Company commences depreciation of the asset and ceases capitalization of borrowing costs (see Note 3).

The Company considers several factors in making the determination of when an asset is available for use including, but not limited to, design capacity of the asset, production levels achieved and commissioning status. The Company defines the achievement of commercial production as the date that a project has achieved a consistent level of production, evidenced by 30 consecutive days of sustainable production at 75% capacity utilization. In July 2017, the Company completed the recommissioning of Itafos Arraias. On July 3, 2018, Itafos Arraias achieved commercial production by meeting the capacity utilization metric.

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the Company's control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact the Company's business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements (See Note 25).

KEY SOURCES OF ESTIMATION UNCERTAINTY IN THE APPLICATION OF ACCOUNTING POLICIES

Mineral Reserves and Mineral Resource Estimates

Mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, based on certain prescribed standards, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and certain assumptions including economic assumptions such as commodity prices and market conditions which could have a material effect in the future of the Company's financial position and results of operation. Various accounting estimates are impacted by mineral reserve and mineral resource estimates including (i) mineral properties and exploration and evaluation expenditures and associated depreciation expenses, (ii) impairments of non-current assets and (iii) provisions for environmental and asset retirement obligations and related accounts.

Income Tax

The Company is subject to income tax in numerous jurisdictions. The calculation of income tax requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences and estimating the realizability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities and current and deferred income tax expense.

5. RECENT ACCOUNTING PRONOUNCEMENTS

The Company's application of recent accounting pronouncements applicable to the Company are summarized below.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS ("IFRS 15")

The Company has adopted IFRS 15 effective January 1, 2018 on a full retrospective basis in accordance with the transitional provisions of IFRS 15. The Company did not own any businesses that were in commercial production prior to adoption of this standard. As such, no adjustment has been recorded to the comparative figures.

IFRS 9

The Company has adopted IFRS 9 effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening deficit at January 1, 2018. The adoption of IFRS 9 did not result in a change in the carrying values of any of the Company's financial instruments on the transition date (see Note 3).

IFRS 16 LEASES ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered to be right of use assets and will be recorded on the balance sheet with corresponding lease obligation liabilities. Exempt from IFRS 16 will be leases to explore for, or use minerals, oil, natural gas and similar non-regenerative resources, as well as leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase lease assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for lease assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (i) information about lease assets and expenses and cash flows related to leases, (ii) a maturity analysis of lease liabilities and (iii) any additional company-specific information that is relevant to satisfying the disclosure objective. IFRS 16 is effective from January 1, 2019. The Company is currently assessing and quantifying the effect of this standard on its Q1 2019 condensed consolidated interim financial statements.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS (THE "INTERPRETATION")

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after January 1, 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively. The Company is currently assessing and quantifying the effect of this Interpretation on its Q1 2019 condensed consolidated interim financial statements.

6. ACQUISITIONS

ITAFOS CONDA

On January 12, 2018, the Company completed the acquisition of Itafos Conda from Agrium. In connection with the acquisition of Itafos Conda, certain other agreements were entered into as follows:

- a MAP offtake agreement whereby Agrium purchases 100% of MAP produced by Itafos Conda through 2023;
- an ammonia supply agreement whereby Agrium supplies 100% of ammonia required by Itafos Conda through 2023;
- a phosphate ore supply agreement whereby Itafos Conda purchases phosphate ore from a subsidiary of Agrium; and
- a mining services agreement whereby Itafos Conda causes its mining contractor to provide certain mining services for the benefit of a subsidiary of Agrium (see Note 12).

Also in connection with the acquisition of Itafos Conda, Agrium agreed to assume full liability for all environmental and asset retirement obligations relating to the pre-closing operations of Itafos Conda. Accordingly, the Company has not recorded any contingencies for pre-acquisition environmental and asset retirement obligations. As current owner and operator of Itafos Conda, the Company will be liable for certain environmental and asset retirement obligations relating to the post-closing operations of Itafos Conda.

The Company accounted for the acquisition of Itafos Conda as a business combination and has completed a process of fair valuing the net assets acquired. The consideration for the acquisition included a base purchase price of $66,500 plus a working capital adjustment based on the value of inventories and other assets as of the closing. The Company preliminarily recorded the consideration for the acquisition as $115,140 considering an estimated $108,640 of inventories and other assets as of the closing and $6,500 of property plant and equipment. The base purchase price of $66,500 was paid in cash at closing and the remainder of the consideration for the acquisition was preliminarily recorded as a working capital adjustment of $48,640 to be settled against 25% of all receivables from the MAP offtake agreement from the closing until the liability is satisfied. In addition, Itafos Conda received $725 cash from Agrium at closing to offset a liability assumed by Itafos Conda of $725 related to paid leave earned by the employees of Itafos Conda prior to the closing.

Post-closing, the Company and Agrium agreed that the value of the inventories and other assets as of the closing was $102,356. The working capital adjustment reduced the preliminary consideration for the acquisition and resulted in a receivable due from Agrium, which was paid in September 2018. As a part of the Company’s process of fair valuing its acquisition of Itafos Conda, the Company considered a combination of market and replacement cost valuation approaches to determine the fair value of inventories and other assets acquired. As a result, the Company revised the value of inventories and assets to reflect fair value of $101,780. In addition, the Company recorded spare parts at fair value of $13,343.

Also in connection with the Company’s process of fair valuing its acquisition of Itafos Conda, the Company engaged a third party to conduct an independent appraisal. The consideration for the acquisition was primarily based on the Company’s view of the future cash flows expected to be generated by Itafos Conda and future cash requirements for Itafos Conda to continue to operate and fulfill its environmental and asset retirement obligations. When determining the consideration for the acquisition, the Company primarily considered the discounted cash flow valuation methodology taking into account a range of scenarios and sensitivities. The third party’s independent appraisal process considered various valuation methodologies in addition to the discounted cash flow methodology. In this regard, the independent appraisal determined the preliminary value of $6,500 allocated by the Company to property, plant and equipment to be below fair value. As a result, the Company revised the value of property, plant and equipment to reflect fair value of $56,720.

The final fair values of net assets acquired resulted in an excess book basis compared to the tax basis. As a result, the Company has recognized deferred tax liabilities of $16,673 calculated considering the excess book basis and a statutory tax rate of 26.5%. The final assessment of the fair values of the net assets acquired results in a gain on fair valuation of Itafos Conda of $46,902.

Details of the preliminary and final purchase price allocation of the net assets acquired are as follows:

(in thousands of US Dollars)		*Final* January 12, 2018		*Preliminary* January 12, 2018
Base purchase price	$	66,500	$	66,500
Working capital adjustment		41,768		48,640
Total consideration for net assets	**$**	**108,268**	**$**	**115,140**
Fair value of net assets acquired:				
Inventories and other assets		101,780		108,640
Spare parts		13,343		–
Property, plant and equipment		56,720		6,500
Cash		725		725
Deferred tax liabilities		(16,673)		–
Other liabilities		(725)		(725)
Net assets acquired	**$**	**155,170**	**$**	**115,140**
Gain on fair valuation of Itafos Conda, net	**$**	**46,902**	**$**	**–**

Itafos Conda contributed revenues of $276,530 and net income of $85,076 to the Company from January 12, 2018 through December 31, 2018. If the acquisition had occurred on January 1, 2018, revenues and net income for the year ended December 31, 2018 would have been $283,971 and $87,017, respectively.

GBL

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

The purchase price for the acquisition, executed through a Plan of Arrangement (the “GBL Arrangement”) under the Business Corporations Act (British Columbia) was $48,874. $25,539 of the purchase price was paid in cash at closing and $23,335 of the purchase price was paid with an issuance of 11,301,732 shares of the Company. As a result of the acquisition, all outstanding options of GBL were cancelled.

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

(in thousands of US Dollars)		February 27, 2018
Cash	$	25,539
Shares		23,335
747,948,785 common shares of GBL (68.7% interest)	$	48,874
Total consideration for net assets (100%)	**$**	**71,185**
Fair value of net assets acquired:		
Mineral properties	$	81,224
Cash and cash equivalents		2,898
Other current assets		488
Property, plant and equipment		206
Notes payable		(12,524)
Accounts payable and accrued liabilities		(999)
Other long-term liabilities		(108)
Net assets acquired	**$**	**71,185**

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

STONEGATE AGRICOM LTD. ("STG")

On July 18, 2017, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of STG, the owner of Itafos Paris Hills and Itafos Mantaro. The Company accounted for the acquisition of STG as an asset acquisition.

The purchase price for the acquisition, executed through a Plan of Arrangement (the "STG Arrangement") under the Business Corporations Act (Ontario) was $4,605, including warrants and transaction costs. The purchase price was paid with an issuance of 2,985,777 shares of the Company. As a result of the acquisition, all outstanding options of STG were cancelled. In addition, 100,000,000 outstanding purchase warrants of STG common shares were exchanged for 800,000 share purchase warrants of the Company.

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

(in thousands of US Dollars)		July 18, 2017
Shares	$	4,327
373,222,242 common shares of STG (64.8% interest)	$	4,327
Consideration for net assets (100%)		6,677
Warrants		85
Transaction costs		193
Total consideration for net assets (100%)	**$**	**6,955**
Fair value of net assets acquired:		
Mineral properties	$	6,750
Cash and cash equivalents		194
Accounts receivable		2
Other current assets		41
Accounts payable and accrued liabilities		(32)
Net assets acquired	**$**	**6,955**

As at December 31, 2018 and 2017, the warrants issued in connection with the STG Arrangement were stated at $85 (see Note 17).

7. SHORT-TERM INVESTMENTS

As at December 31, 2018 and 2017, the Company had short-term investments of $2,106 and $0, respectively. Short-term investments consist of certificates of deposits with original maturities in excess of 90 days, which are expected to mature within 12 months of the balance sheet date.

8. INVENTORIES

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

(in thousands of US Dollars)		*For the years ended December 31,* **2018**		2017
Finished goods	$	28,043	$	567
Work in process		5,686		7,813
Raw materials		86,165		2,790
Spare parts		17,316		1,220
Net realizable value adjustments		(3,370)		(4,113)
Inventories, net	**$**	**133,840**	**$**	**8,277**

As at December 31, 2018 and 2017, inventories included net realizable value adjustments of $3,370 related to finished

goods and $4,113 related to spare parts and work in process, respectively of Itafos Arraias.

9. IMPAIRMENTS

For the years ended December 31, 2018 and 2017, the Company had impairments as follows:

(in thousands of US Dollars)	*For the years ended December 31,* **2018**	2017
Itafos Arraias	$ 132,252	$ –
Itafos Farim	11,239	–
Itafos Santana	3,136	–
Impairments	**$ 146,627**	**$ –**

2018 IMPAIRMENT ASSESSMENT

As at December 31, 2018, 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 Itafos Conda, Itafos Arraias, Itafos Paris Hills, Itafos Farim and Itafos Santana 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 Itafos Araxá and Itafos Mantaro due to de minimis respective carrying values.

In order to estimate the respective recoverable amounts of Itafos Conda and Itafos Arraias, the Company followed a FVLCD approach classified within Level 3 of the fair value hierarchy (see Note 29). For Itafos Conda, the Company utilized a conventional discounted cash flow methodology considering projected cash flows from its business plan, a risk adjusted discount rate and various sensitivities. The Company concluded that the estimated recoverable amount of Itafos Conda was above its carrying value and therefore did not record an impairment. For Itafos Arraias, the Company utilized a conventional discounted cash flow methodology considering projected cash flows from the perspective of an independent market participant, a risk adjusted discount rate and various sensitivities. The Company concluded that the estimated recoverable amount of Itafos Arraias was below its carrying value and therefore recorded an impairment of $132,252 (see Notes 10 and 11). The impairment of Itafos Arraias was primarily due to the delay in ramp-up to optimal capacity utilization and associated capital expenditures and working capital requirements combined with lower projected run-rate EBITDA due to margin compression.

The Company considered key assumptions in order to estimate the recoverable amount of Itafos Arraias as follows:

(in thousands of US Dollars except for year, exchange rate and percentages)	**Key assumptions**
Ramp-up to optimal capacity utilization (year)	2021
Run-rate EBITDA	Approximately $33,000
Long-term SSP sales price	$200/ton
Long-term Brazilian Real: US Dollar exchange rate (R$:$)	3.90
Weighted average cost of capital (%)	10.4

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

(in thousands of US Dollars)	**Key sensitivities**
One year delay in ramp-up to optimal capacity utilization	Approximately $39,000
10% reduction to run-rate EBITDA	Approximately $28,000
10% reduction to long-term SSP sales price	Approximately $83,000
10% strengthening of Brazilian Real against US Dollar	Approximately $42,000
1% increase to weighted average cost of capital	Approximately $15,000

In order to estimate the respective recoverable amounts of Itafos Paris Hills, Itafos Farim and Itafos Santana, the Company followed a FVLCD approach classified within Level 3 of the fair value hierarchy (see Note 29). For each of Itafos Paris Hills, Itafos Farim and Itafos Santana, the Company utilized a conventional market comparables methodology considering a

range of multiples comprised of comparable publicly traded companies and transactions. Specifically for Itafos Farim, considering its high grade phosphate rock and low cost features, the Company considered a pricing and cost premium above market comparables. The Company concluded that the estimated recoverable amount of Itafos Paris Hills was above its carrying value and therefore did not record an impairment. The Company further that concluded that the respective estimated recoverable amounts for Itafos Farim and Itafos Santana were below their respective carrying values and therefore recorded respective impairments of $11,239 and $3,136 (see Note 11). The respective impairments of Itafos Farim and Itafos Santana were primarily due to the decline in multiples of comparable publicly traded companies and transactions during 2018.

The Company considered the impact of changes in key assumptions to the estimated respective recoverable amounts of Itafos Farim and Itafos Santana including a 10% reduction to market comparables, which would have a respective impact of approximately $7,000 and $1,000.

2017 IMPAIRMENT ASSESSMENT

As at December 31, 2017, 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 Itafos Arraias, Itafos Paris Hills, Itafos Farim and Itafos Santana in order to compare such estimated respective recoverable amounts to their respective carrying values. The Company did not perform valuations to estimate the respective recoverable amounts of Itafos Araxá and Itafos Mantaro due to de minimis respective carrying values.

In order to estimate the recoverable amount of Itafos Arraias, the Company followed a FVLCD approach classified within Level 3 of the fair value hierarchy (see Note 29). For Itafos Arraias, the Company utilized a conventional discounted cash flow methodology considering projected cash flows from the perspective of an independent market participant, a risk adjusted discount rate and various sensitivities. The Company concluded that the estimated recoverable amount of Itafos Arraias was approximately equal to its carrying value and therefore did not record an impairment.

The Company considered key assumptions in order to estimate the recoverable amount of Itafos Arraias as follows:

(in thousands of US Dollars except for year, exchange rate and percentages)	**Key assumptions**
Ramp-up to optimal capacity utilization (year)	2019
Run-rate EBITDA	Approximately $41,000
Long-term SSP sales price	$202/ton
Long-term Brazilian Real: US Dollar exchange rate (R$:$)	3.40
Weighted average cost of capital (%)	9.4

In order to estimate the respective recoverable amounts of Itafos Paris Hills and Itafos Farim, the Company followed a FVLCD approach classified with Level 1 of the fair value hierarchy (see Note 29). For each of Itafos Paris Hills and Itafos Farim, the Company utilized a market price methodology considering the purchase price paid for the acquisitions of all of the issued and outstanding shares not previously owned by the Company of STG and GBL, respectively (see Note 6). The Company concluded the respective estimated recoverable amounts of Itafos Paris Hills and Itafos Farim were equal to their respective carrying values and therefore did not record a respective impairment.

In order to estimate the recoverable amount of Itafos Santana, the Company followed a FVLCD approach classified within Level 3 of the fair value hierarchy (see Note 29). For Itafos Santana, the Company utilized a conventional market comparables methodology considering a range of multiples comprised of comparable publicly traded companies and transactions. The Company concluded that the estimated recoverable amount of Itafos Santana was approximately equal to its carrying value and therefore did not record an impairment.

10. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2018, the Company had changes in property, plant and equipment as follows:

(in thousands of US Dollars)	Land	Buildings and plant	Machinery, equipment and other	Asset under construction	Total property, plant and equipment
Cost					
Balance as at December 31, 2017	**$ 3,273**	**$ 128,078**	**$ 156,918**	**$ 36,351**	**$ 324,620**
Acquisitions (*Note 6*)	20,640	–	34,343	1,737	56,720
Additions	947	15,814	11,995	42,527	71,283
Impairments *(Note 9)*	–	(53,987)	(65,985)	–	(119,972)
Disposals/transfers	–	55,770	–	(55,770)	–
Balance as at December 31, 2018	**$ 24,860**	**$ 145,675**	**$ 137,271**	**$ 24,845**	**$332,651**
Accumulated depreciation					
Balance as at December 31, 2017	**$ –**	**$ 24,725**	**$ 36,468**	**$ –**	**$ 61,193**
Additions	–	3,040	23,479	–	26,519
Disposals/transfers	–	(479)	–	–	(479)
Balance as at December 31, 2018	**$ –**	**$ 27,286**	**$ 59,947**	**$ –**	**$ 87,233**
Property, plant and equipment, net					
As at December 31, 2017	**$ 3,273**	**$ 103,353**	**$ 120,450**	**$ 36,351**	**$ 263,427**
As at December 31, 2018	**$ 24,860**	**$ 118,389**	**$ 77,324**	**$ 24,845**	**$ 245,418**

For the year ended December 31, 2017, the Company had changes in property, plant and equipment as follows:

(in thousands of US Dollars)	Land	Buildings and plant	Machinery, equipment and other	Asset under construction	Total property, plant and equipment
Cost					
Balance as at December 31, 2016	**$ 3,273**	**$ 128,078**	**$ 152,923**	**$ –**	**$ 284,274**
Additions	–	–	4,637	36,351	40,988
Disposals	–	–	(642)	–	(642)
Balance as at December 31, 2017	**$ 3,273**	**$ 128,078**	**$ 156,918**	**$ 36,351**	**$ 324,620**
Accumulated depreciation					
Balance as at December 31, 2016	**$ –**	**$ 24,725**	**$ 36,985**	**$ –**	**$ 61,710**
Additions	–	–	125	–	125
Disposals	–	–	(642)	–	(642)
Balance as at December 31, 2017	**$ –**	**$ 24,725**	**$ 36,468**	**$ –**	**$ 61,193**
Property, plant and equipment, net					
As at December 31, 2016	**$ 3,273**	**$ 103,353**	**$ 115,938**	**$ –**	**$ 222,564**
As at December 31, 2017	**$ 3,273**	**$ 103,353**	**$ 120,450**	**$ 36,351**	**$ 263,427**

As at December 31, 2018 and 2017, the balances of property, plant and equipment included capitalized interest of $6,850 and $1,605, respectively. For the year ended December 31, 2018, the property, plant, and equipment additions included $10,602 of Itafos Conda plant turnaround costs on a two year cycle. Itafos Conda's plant turnaround was completed in June 2018 and depreciation of these costs commenced during 2018.

11. MINERAL PROPERTIES

For the years ended December 31, 2018 and 2017, the Company had changes in mineral properties as follows:

(in thousands of US Dollars)		Development costs		Exploration and evaluation costs		Accumulated depletion		Total mineral properties
Balance as at December 31, 2016	**$**	**30,057**	**$**	**12,005**	**$**	**(1,738)**	**$**	**40,324**
Acquisitions (Note 6)		121		6,750		–		6,871
Balance as at December 31, 2017	**$**	**30,178**	**$**	**18,755**	**$**	**(1,738)**	**$**	**47,195**
Acquisitions (*Note 6*)		–		81,224		–		81,224
Additions		27,500		5,418		–		32,918
Depletion		–		–		(6,011)		(6,011)
Impairments *(Note 9)*		(12,280)		(14,375)		–		(26,655)
Foreign currency translation adjustments		–		(4,385)		–		(4,385)
Balance as at December 31, 2018	**$**	**45,398**	**$**	**86,637**	**$**	**(7,749)**	**$**	**124,286**

Additions to exploration and evaluation costs were activities related to Itafos Farim. Foreign currency translation adjustments of $(4,385) were a result of exchange rate changes of the US Dollar (reporting currency) versus the Canadian Dollar and the Central African Franc (functional currencies of the entities holding the mineral rights).

12. OTHER ASSETS

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

	For the years ended December 31,			
(in thousands of US Dollars)		**2018**		2017
Tax credits	$	13,552	$	14,478
Promissory note receivable from GBL (balance includes interest accrual)		–		5,145
Advances to suppliers		1,707		1,690
Mining prepaid expenses		159		–
Other receivables		3,106		–
Deposits		1,500		–
Other		3,762		2,212
Other assets	**$**	**23,786**	$	23,525
Less: current portion		(12,704)		(9,005)
Other non-current assets	**$**	**11,082**	**$**	**14,520**

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

	For the years ended December 31,			
(in thousands of US Dollars)		**2018**		2017
Tax credits	$	3,146	$	483
Promissory note receivable from GBL (balance includes interest accrual)		–		5,145
Advances to suppliers		1,707		1,690
Mining prepaid expenses		159		–
Other receivables		3,106		–
Deposits		1,500		–
Other		3,086		1,687
Other current assets	**$**	**12,704**	**$**	**9,005**

Tax credits consist of Brazilian state and federal taxes that accumulated primarily on purchases of property, plant and equipment. The tax credits can be applied to offset and potentially reimburse certain value added taxes and other taxes payable in future periods. As at December 31, 2018 and 2017, the Company had tax credits of $13,552 and $14,478, respectively (net of 20% tax credit allowance determined by the Brazilian tax authorities based on average credits accepted for the years 2012, 2013 and Q1 2014).

During 2017, the Company provided promissory notes to GBL in the aggregate amount of $5,000. On February 1, 2018, the Company provided an additional promissory note to GBL in the amount of $4,500. Following the completion of the GBL Arrangement on February 27, 2018, these notes including accrued interest of $316 were treated as an intercompany balance and eliminated on consolidation (see Note 6).

Other receivables are primarily related to the mining services agreement between Itafos Conda and a subsidiary of Agrium (see Note 6).

Deposits represent cash collateral posted to an Itafos Conda service provider.

13. INVESTMENTS IN ASSOCIATES

For the years ended December 31, 2018 and 2017, the Company had changes in investments in associates as follows:

(in thousands of US Dollars)		**Investments in associates**
Balance as at December 31, 2016	**$**	**15,600**
Proportionate share of net loss		(1,820)
Proportionate share of other comprehensive income		1,294
Balance as at December 31, 2017	**$**	**15,074**
Proportionate share of net income		7,910
Proportionate share of other comprehensive loss		(671)
Transfer to mineral properties		(22,313)
Balance as at December 31, 2018	$	–

As at December 31, 2017, the Company accounted for its investment in GBL using the equity method. On February 27, 2018, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of GBL, the owner of Itafos Farim (see Note 6). As a result of the acquisition, as at December 31, 2018, the Company consolidated GBL into its consolidated financial statements.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	For the years ended December 31,			
(in thousands of US Dollars)		**2018**		2017
Payroll and related taxes payable	$	6,938	$	2,266
Taxes payable		13,885		5,450
Trade payables		25,960		3,745
Accrued liabilities and other		12,519		1,298
Rebates		1,506		–
Other payables		2,175		4,129
Accrued liabilities payable through MAP offtake agreement		12,618		–
Accounts payable and accrued liabilities	**$**	**75,601**	**$**	**16,888**

As at December 31, 2018:

- taxes payable included $10,195 of tax provision of Itafos Conda;
- trade payables considered amounts billed by suppliers related to Itafos Conda and Itafos Arraias operations;
- accrued liabilities and other included $6,651 of accrued mining expenses of Itafos Conda;
- rebates considered payables accrued by Itafos Conda in anticipation of customers meeting volume offtake thresholds; and
- accrued liabilities payable through MAP offtake agreement considered the balance of the Itafos Conda purchase price payable to Agrium (see Note 6).

15. PROVISIONS

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

	For the years ended December 31,	
(in thousands of US Dollars)	**2018**	2017
Legal contingencies	$ 494	$ 542
Environmental and asset retirement obligations	39,148	2,952
Provisions	**$ 39,642**	$ 3,494
Less: current portion	(494)	(542)
Long-term provisions	**$ 39,148**	**$ 2,952**

For the years ended December 31, 2018 and 2017, the Company had changes in environmental and asset retirement obligations as follows:

(in thousands of US Dollars)	**Environmental and asset retirement obligations**
Balance as at December 31, 2016	**$ 586**
Additions	2,366
Accretion	–
Balance as at December 31, 2017	**$ 2,952**
Additions	35,466
Accretion	730
Balance as at December 31, 2018	**$ 39,148**

16. DEBT AND DEBENTURES

a) DEBT

On June 6, 2018, the Company closed a $165,000 secured term credit facility (the “Facility”) with a syndicate of lenders (including CLF). The Facility is guaranteed by certain of the Company’s subsidiaries. The Facility is further secured by certain of the Company’s direct and indirect interests in certain of the Company’s subsidiaries and certain of the other assets of the Company and its subsidiaries. The Facility accrues interest at a per annum rate of 10% commencing on June 6, 2018 until December 6, 2019, with 50% payable in cash and 50% payable in-kind, and 12% thereafter with 75% payable in cash and 25% payable in-kind. Cash interest is payable on the 15th day of each March, June, September, and December until the Facility matures on June 6, 2022. In-kind interest is capitalized into the principal on the 15th day of each March, June, September, and December until maturity, if not paid in cash, at the Company’s discretion. The Company also has the ability to pay in-kind interest at any time prior to maturity. As at December 31, 2018, $4,417 of in-kind interest was capitalized into principal of the Facility. As at December 31, 2018, the Company accrued cash and in-kind interest related to the Facility in the amounts of $325 and $325, respectively. There are no required principal payments until the scheduled maturity. The Company may make principal payments prior to the maturity date; however, the Company would incur prepayment penalties if principal payments are made prior to June 6, 2021.

The Company incurred financing costs of $5,829 related to the Facility. The Company also issued 2,750,000 shares to the syndicate of lenders of the Facility, which had a fair value of $5,132 as determined by the market price of C$2.41 per share as of the date of issuance of the shares. Both the financing costs and the fair value of the shares issued in connection with the Facility were capitalized and presented as a reduction of the carrying value of the Facility, which is amortized using the effective interest rate method. On December 17, 2018, the Company executed the first amendment (the “Amendment”) to the Facility. The Amendment modified the computation of interest under the Facility to be computed based on the number of days in the applicable calendar year rather than computing interest based on a 360-day year. The Amendment was recorded as a debt modification. The Company discounted the cash flows of the Facility considering the Amendment at the original effective interest rate, resulting in a gain on debt modification of the Facility of $908. For the year ended December 31, 2018, the Company amortized $1,477 of the capitalized financing costs of the Facility, net of gain on debt modification.

The Facility includes restrictive financial covenants that require the Company not to exceed certain ratios as at the end of each fiscal quarter as follows:

Financial covenant	Ratios	Commencing
Consolidated Debt to Capital	0.70:1.00	June 30, 2019
Consolidated Leverage	4.50:1.00	June 30, 2019
Consolidated Leverage	4.25:1.00	March 31, 2020
Consolidated Leverage	4.00:1.00	June 30, 2020

In addition to the restrictive financial covenants, the Facility considers other compliance requirements including, but not limited to, a requirement to maintain minimum cash of $5,000 throughout the term of the Facility.

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

For the year ended December 31, 2018, the Company had changes in debt as follows:

(in thousands of US Dollars)	Current debt	Long-term debt
Balance as at December 31, 2017	**$ 25,530**	**$ –**
Issuance of promissory notes	61,421	–
Interest accruals of promissory notes	8,293	–
Acquisition of promissory notes from GBL Arrangement	2,708	–
Proceeds from closing of the Facility	–	165,000
Deferred financing costs of the Facility	–	(10,961)
Repayment of promissory notes and related accrued interest	(7,952)	–
Exchange of promissory notes and related accrued interest	(90,000)	–
Capitalization of in-kind interest of the Facility	–	4,417
Payment of interest of the Facility	(4,417)	–
Interest accrual of the Facility	4,742	–
Accrued in-kind interest of the Facility	–	325
Amortization of financing costs of the Facility, net of gain on debt modification	–	1,477
Balance as at December 31, 2018	**$ 325**	**$ 160,258**

b) DEBENTURES

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

	For the years ended December 31,	
(in thousands of US Dollars)	**2018**	2017
Brazilian debentures	$ 1,391	$ 1,762
Canadian debentures	2,139	3,200
Less: current portion	(942)	(1,193)
Long-term portion of debentures	**$ 2,588**	$ **3,769**

Brazilian debentures of $1,391 and $1,762 (including accrued interest) as at December 31, 2018 and 2017, respectively, will mature on August 29, 2026. The debentures have a 10% interest rate with interest and principal paid in equal annual installments.

Canadian debentures of $2,139 and $3,200 (including accrued interest) as at December 31, 2018 and 2017, respectively, were issued to CLF and to Banco Modal S.A. ("Modal") and originally matured in 10 years on October 27, 2026. The debentures originally had a 10% interest rate with interest and principal payable in equal annual installments. On July 28, 2017, CLF assigned to Modal C$1,753 of the C$2,584 convertible debenture issued by the Company to CLF on October 27, 2016 (the "CLF Debenture"). Following the assignment, the parties agreed to break the CLF Debenture into two separate instruments to reflect (i) Modal as the holder of C$1,753 and (ii) CLF as the holder of C$831. In addition, the Company and Modal agreed to amend Modal's convertible debentures of C$1,107 and C$1,753 to reduce the term from 10 years to four years and the interest rate from 10% to 7.5%. As the change in future payment terms expected was determined to not be substantial, the amendments were recorded as a debt modification. Accordingly, the effective interest rate on the convertible debentures held by Modal was recalculated at the amendment date based on the carrying value of the debt and the expected future payment terms and a loss was recognized as borrowing cost.

17. OTHER LONG-TERM LIABILITIES

OTHER LONG-TERM LIABILITIES

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

	For the years ended December 31,	
(in thousands of US Dollars)	**2018**	2017
Taxes payable	$ 7,280	$ 7,739
Other equity warrants	85	85
Share-based payments	875	994
Other liabilities	16	–
Other long-term liabilities	**$ 8,256**	**$ 8,818**

Taxes payable of $7,280 and $7,739 as at December 31, 2018 and 2017, respectively, are primarily related to the taxes payable to the Brazilian tax authorities resulting from intercompany loans between the Company's subsidiaries. These taxes would be due after 2020 upon maturity of the intercompany loans.

Other equity warrants of $85 and $85 as at December 31, 2018 and 2017, respectively, are related to the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company 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 6).

Share-based payments of $875 and $994 as at December 31, 2018 and 2017, respectively, are related to RSUs granted by the Company under the RSU Plan. The maximum number of shares which may be reserved for issuance under the RSU Plan at any time is 14,207,030 shares. In accordance with the RSU Plan, the RSUs vest 25% on the second anniversary of the grant date and 75% on the third anniversary of the grant date. The RSUs are accounted for as cash settled share-based payments with a liability 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 (see Note 3).

For the years ended December 31, 2018 and 2017, the Company granted 1,367,303 and 1,709,380 RSUs, respectively, under the Company's RSU Plan. For the year ended December 31, 2018, the Company cash settled 75,017 RSUs for $140, of which 30,780 were related to 2018 grants and 44,237 were related to 2017 grants. For the years ended December 31, 2018 and 2017, the Company had share-based payment (income)/expense of $21 and $994, respectively.

For the years ended December 31, 2018 and 2017, the Company had changes in RSUs as follows:

	RSUs
Balance as at December 31, 2016	–
Granted	1,709,380
Forfeited	(77,500)
Balance as at December 31, 2017	**1,631,880**
Granted	1,367,303
Forfeited	(111,382)
Cash settled	(75,017)
Balance as at December 31, 2018	**2,812,784**

18. SHARE CAPITAL

AUTHORIZED CAPITAL

The Company is authorized to issue up to 5,000,000,000 shares. The Company's shares have a par value of C$0.001.

SHARES ISSUED AND OUTSTANDING

As at December 31, 2018 and December 31, 2017, the Company had 142,070,301 and 128,018,569 of issued and outstanding shares, respectively. Subsequent to December 31, 2018, the Company repurchased 1,478,500 of its outstanding shares (see Note 30).

On June 6, 2018, the Company issued 2,750,000 shares to the syndicate of lenders of the Facility (see Note 16).

On February 27, 2018, the Company issued 11,301,732 shares as a part of the GBL Arrangement (see Note 6).

On December 15, 2017, the Company completed a private placement of 45,714,285 shares at a price of C$2.10 per share and received net proceeds of $74,887.

On July 18, 2017, the Company issued 2,985,777 shares as a part of the STG Arrangement (See Note 6).

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

For the years ended December 31, 2018 and 2017, the Company had weighted-average number of shares and dilutive share equivalents as follows:

	For the years ended December 31,	
	2018	2017
Weighted average number of shares	139,091,533	78,814,012
Weighted average number of potentially dilutive options and convertible debentures	1,892,424	543,960
Diluted weighted average number of shares	**140,983,957**	**79,357,972**

For the years ended December 31, 2018 and 2017, the Company had net losses. Accordingly, all potentially dilutive options and convertible debentures were excluded from diluted weighted average number of shares as these instruments were anti-dilutive.

NORMAL COURSE ISSUER BID ("NCIB")

On December 12, 2018, the Company received conditional acceptance from the TSXV to commence a NCIB. Through the NCIB, the Company may purchase, from time to time as it considers advisable over the 12-month period of the NCIB, up to an aggregate of 7,103,515 shares of the Company (the "Shares"), representing 5.0% of the Company's outstanding shares as at December 12, 2018. The NCIB commenced on December 14, 2018 and will terminate on the earlier of (i) the Company purchasing the Shares, (ii) the Company providing a notice of termination or (iii) 12 months following the commencement date. All purchases through the NCIB have and will be made through the facilities of the TSXV or alternative Canadian trading systems at market prices or by such other means as may be permitted under applicable securities laws.

As at December 31, 2018, the Company did not repurchase any of its outstanding shares through the NCIB (see Note 30).

NCI

Brazilian warrants with third parties were exercised at a conversion rate of R$1 per share into 29,804,079 preferred shares of Brazilian subsidiaries Itafos Arraias and Itafos Santana. The NCI percentage in Itafos Arraias is approximately 3.2% and in Itafos Santana is approximately 0.6% (see Note 2). For the year ended December 31, 2017, the Company had incurred a loss of $6,962 on the conversion of Brazilian warrants into preferred shares. As at December 31, 2018 and 2017, the Company had NCI of $9,062.

19. LOSS PER SHARE

For the years ended December 31, 2018 and 2017, the Company had loss per share as follows:

		For the years ended December 31,		
(in thousands of US Dollars except for number of shares and per share amounts)		**2018**		2017
Net loss attributable to shareholders of the parent	**$**	**(113,487)**	$	(30,411)
Weighted average shares outstanding		**139,091,533**		78,814,012
Basic loss per share	**$**	**(0.82)**	$	(0.39)
Fully diluted loss per share	**$**	**(0.82)**	$	(0.39)

For the years ended December 31, 2018 and 2017, the Company excluded 1,892,424 and 543,960, respectively of potentially dilutive shares from the calculation of diluted loss per share due to their antidilutive effect as the Company was in a loss position.

20. REVENUES

For the years ended December 31, 2018 and 2017, Itafos Conda had revenues as follows:

		For the years ended December 31,		
(in thousands of US Dollars)		**2018**		2017
MAP	$	144,084	$	–
MGA, net		388		–
SPA, net		120,925		–
APP, net		11,133		–
Revenues, net	**$**	**276,530**	**$**	**–**

For the year ended December 31, 2018, Itafos Conda recorded approximately 74% of its total revenues from two customers.

On January 12, 2018, the Company completed the acquisition of Itafos Conda (see Note 6). As such, for the year ended December 31, 2017, the Company recorded no revenues from Itafos Conda.

For the years ended December 31, 2018 and 2017, Itafos Arraias had revenues as follows:

(in thousands of US Dollars)	*For the years ended December 31,* **2018**	2017
SSP, net	$ 16,594	$ –
SSP+, net	3,653	–
Sulfuric acid, net	5,405	–
Revenues, net	**$ 25,652**	**$ –**

For the year ended December 31, 2018, Itafos Arraias recorded approximately 25% of SSP revenues from one customer.

On July 3, 2018, Itafos Arraias achieved commercial production by meeting the capacity utilization metric (see Note 4). During the second half of 2018, the Company began recognizing revenue earned through sales at Itafos Arraias. During the first half of 2018, as Itafos Arraias had not yet achieved commercial production, revenue earned through sales at Itafos Arraias was capitalized into property, plant and equipment.

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, 2018 and 2017 the Company had selling, general and administrative expenses as follows:

(in thousands of US Dollars)	*For the years ended December 31,* **2018**	2017
Payroll expenses	$ 7,200	$ 6,755
Professional fees	9,029	8,057
Share-based payment expense (recovery)	21	994
Office and general	4,938	3,250
Director's fees	600	391
Selling, general and administrative expenses	**$ 21,788**	**$ 19,447**

22. FOREIGN EXCHANGE LOSS

For the years ended December 31, 2018 and 2017, the Company recognized foreign exchange loss of $(665) and $(1,165), respectively. These amounts are primarily comprised of the loss resulting from remeasuring monetary items denominated in Brazilian Reals and Canadian Dollars (see Note 29).

23. FINANCE INCOME (EXPENSE)

For the years ended December 31, 2018 and 2017, the Company had finance income (expense) as follows:

(in thousands of US Dollars)	*For the years ended December 31,* **2018**	2017
Interest expense	$ (21,317)	$ (2,701)
Capitalized interest	5,245	1,605
Other financial expense	–	(313)
Interest income	206	146
Finance expense, net	**$ (15,866)**	**$ (1,263)**

24. INCOME TAXES

For the years ended December 31, 2018 and 2017, the Company had income tax expense as follows:

(in thousands of US Dollars except for percentages)	*For the years ended December 31,* 2018	2017
Loss before income taxes	$ (105,158)	$ (28,497)
Cayman Islands statutory tax rate (%)	0.0	0.0
Expected income tax expense	$ –	$ –
Difference in foreign tax rates	(37,114)	(7,769)
Non-deductible/taxable items	(17,116)	391
Tax benefit not recognized	61,469	7,842
Withholding taxes	1,090	1,450
Income tax expense	$ 8,329	$ 1,914
Actual effective tax rate (%)	(7.9)	(6.7)

For the years ended December 31, 2018 and 2017, the Company had foreign current income tax expense of $10,109 and $464, respectively.

For the years ended December 31, 2018 and 2017, the Company had foreign deferred income tax expense (recovery) of $(1,780) and $1,450, respectively.

DEFERRED TAX ASSETS

As at December 31, 2018 and 2017, the Company had deferred tax assets as follows:

(in thousands of US Dollars)	Payroll and related taxes payable	Total deferred tax assets
Balance as at December 31, 2016	$ –	$ –
Charge/(credit) to profit or loss	–	–
Balance as at December 31, 2017	$ –	$ –
Charge/(credit) to profit or loss	1,157	1,157
Balance as at December 31, 2018	$ 1,157	$ 1,157

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized.

As at December 31, 2018, the Company had Brazilian tax losses of approximately $486,752 that may be carried forward indefinitely to offset taxable income in any given period. The Company has not recognized any deferred tax assets for its temporary differences. The interpretation of tax regulations and legislation and their application to the Company's business is and subject to change. Accordingly, the Company's ability to realize deferred income tax assets could significantly affect net income or cash flow in future periods.

DEFERRED TAX LIABILITIES

As at December 31, 2018 and 2017, the Company had changes in deferred tax liabilities as follows:

(in thousands of US Dollars)	Property, plant and equipment	Inventories	Mineral properties	Total deferred tax liabilities
Balance as at December 31, 2016	$ –	$ –	$ –	$ –
Charge/(credit) to profit or loss	–	–	–	–
Balance as at December 31, 2017	$ –	$ –	$ –	$ –
Acquisitions *(Note 6)*	13,294	3,379	–	16,673
Charge/(credit) to profit or loss	2,415	(1,323)	(2,804)	(1,712)
Balance as at December 31, 2018	$ 15,709	$ 2,056	$ (2,804)	$ 14,961

BRAZILIAN TAX ASSESSMENTS

In 2017, the Company elected to participate in the Brazilian Special Program for Tax Regularization ("PERT"), which allows discounts on tax penalties and interest, to settle various significant outstanding income tax assessments associated with its subsidiaries in Brazil. In coming to the decision to participate in the program, 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 the financial burden imposed on those who take their disputes through the courts, which requires a bond or other collateral to be posted.

On October 25, 2017, PERT 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 provided an option to use tax losses, pay one lump sum in early 2018 or pay monthly installment payments over 175 months. The Company elected to utilize tax losses to settle outstanding income tax assessments and is awaiting final confirmation from the Brazilian tax authorities.

25. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

As at December 31, 2018 and 2017, the Company had total future minimum rail car lease payments under non-cancellable operating leases as follows:

	For the years ended December 31,	
(in thousands of US Dollars)	**2018**	2017
Within 1 year	$ 3,511	$ –
Between 2 and 3 years	4,955	–
Between 4 and 5 years	4,013	–
After 5 years	2,822	–
Rail car leases	**$ 15,301**	**$ –**

CONTINGENCIES

From time to time, the Company may be involved in legal proceedings that arise in the ordinary course of its business. The amount of any ultimate liabilities (including interest and penalties) with respect to these actions is not expected to, in the opinion of management, materially affect the Company's financial position, results of operations or cash flows. Based on the Company's knowledge and assessment of events as at December 31, 2018, the Company does not believe that the outcome of any of the matters, individually or in aggregate, not recorded in these consolidated financial statements would have a material adverse effect. As at December 31, 2018, the Company has currently accrued $494 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 (see Note 15).

26. SEGMENT REPORTING

For the year ended December 31, 2018, the Company had net income (loss) by segment as follows:

(in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Revenues, net	**$ 276,530**	**$ 25,652**	**$ –**	**$ –**	**$ 302,182**
Cost of goods sold	230,634	45,919	–	–	276,553
Impairments	–	132,252	14,375	–	146,627
	$ 45,896	**$ (152,519)**	**$ (14,375)**	**$ –**	**$ (120,998)**
Expenses					
Selling, general and administrative expenses	755	6,889	3,616	10,528	21,788
Operating income (loss)	**$ 45,141**	**$ (159,408)**	**$ (17,991)**	**$ (10,528)**	**$ (142,786)**
Foreign exchange gain (loss)	(34)	(598)	(256)	223	(665)
Other Income (expense), net	115	(786)	(2)	20	(653)
Gain on fair valuation of Itafos Conda, net	46,902	–	–	–	46,902
Finance income	–	–	1	205	206
Finance expense	(730)	(970)	(111)	(14,261)	(16,072)
Gain from investments in associates	–	–	7,910	–	7,910
Income (loss) before income taxes	**$ 91,394**	**$ (161,762)**	**$ (10,449)**	**$ (24,341)**	**$ (105,158)**
Current and deferred income tax expense	7,152	–	–	1,177	8,329
Net income (loss)	**$ 84,242**	**$ (161,762)**	**$ (10,449)**	**$ (25,518)**	**$ (113,487)**

For the year ended December 31, 2017, the Company had net income (loss) by segment as follows

(in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Revenues, net	$ –	$ –	$ –	$ –	$ –
Cost of goods sold	–	–	–	–	–
	$ –	$ –	$ –	$ –	$ –
Expenses					
Selling, general and administrative expenses	–	8,379	1,640	9,428	19,447
Operating loss	$ –	**$ (8,379)**	**$ (1,640)**	**$ (9,428)**	**$ (19,447)**
Foreign exchange loss	–	(821)	(174)	(170)	(1,165)
Other Income (expense), net	–	2,642	-	98	2,740
Gain on fair valuation of Itafos Conda, net	–	–	–	–	–
Finance income	–	–	–	–	–
Finance expense	–	(439)	–	(824)	(1,263)
Warrant expense	–	(6,962)	–	–	(6,962)
Loss from investments in associates	–	–	(2,400)	–	(2,400)
Loss before income taxes	$ –	**$ (13,959)**	**$ (4,214)**	**$ (10,324)**	**$ (28,497)**
Current and deferred income tax expense	–	–	–	1,914	1,914
Net loss	$ –	**$ (13,959)**	**$ (4,214)**	**$ (12,238)**	**$ (30,411)**

As at December 31, 2018, the Company had total assets and total liabilities by segment as follows:

(in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Total assets	$ 268,357	$ 211,551	$ 89,901	$ 6,610	**$ 576,419**
Total liabilities	$ 106,199	$ 26,473	$ 4,322	$ 167,646	**$ 304,640**

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

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

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

(in thousands of US Dollars)		*For the years ended December 31,* **2018**		2017
Brazil (South America)	$	189,246	$	303,795
US (North America)		110,242		6,827
Guinea-Bissau (Africa)		70,216		–
Property, plant and equipment, net and mineral properties	**$**	**369,704**	**$**	**310,622**

27. NET CHANGE IN NON-CASH WORKING CAPITAL

As at December 31, 2018 and 2017, the Company had net change in non-cash working capital as follows:

(in thousands of US Dollars)		*For the years ended December 31,* **2018**		2017
Accounts receivable	$	(35,979)	$	51
Inventories, net		(5,027)		(7,765)
Other assets and prepaids		(6,724)		1,692
Accounts payable and accrued liabilities		34,357		(3,145)
Other liabilities payable through MAP offtake agreement		(36,259)		–
Other liabilities and provisions		727		(523)
Net change in non-cash working capital	**$**	**(48,905)**	$	**(9,690)**

28. RELATED PARTY TRANSACTIONS

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

KEY MANAGEMENT COMPENSATION

Key management includes directors and officers of the Company. Key management compensation considers amounts the Company has paid or has payable to key management for employee services.

For the years ended December 31, 2018 and 2017, the Company had key management compensation as follows:

(in thousands of US Dollars)		*For the years ended December 31,* **2018**		2017
Management compensation and director fees	$	1,605	$	2,012
Other benefits		37		30
Key management compensation	**$**	**1,642**	$	**2,042**

CLF DEBT

CLF is a lender under the Facility with participation of $31,624 of the $165,000 principal as of the date of issuance (see Note 16). As at December 31, 2018, CLF's participation in the Facility was $32,471. In addition, CLF received 527,072 of the 2,750,000 shares of the Company issued in connection with the closing of the Facility (see Note 16).

On February 26, 2018, January 12, 2018, September 8, 2017 and August 11, 2017, the Company received $16,842, $13,000, $4,500 and $5,000, respectively, of financing proceeds from CLF in the form of promissory notes. As of the closing of the Facility, the promissory notes were extinguished (see Note 16).

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

29. 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 years ended December 31, 2018 and 2017, 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 2 of the fair value hierarchy. As at December 31, 2018 and 2017, the Company's long-term debt was stated at an amortized cost of $163,788 and $4,962, respectively, and had a fair value of $163,065 and $3,325, respectively.

RISK FACTORS

The Company's activities are subject to various risk factors that could impact the Company's financial assets, liabilities or future cash flows including market risk, credit risk and liquidity risk. Such risk factors, as well as the Company's capital management objectives, are described below.

Market Risk

Currency Risk

Currency fluctuations may affect the Company's capital and/or operating costs. The Company is exposed to currency risks stemming from the fact that the Company and its subsidiaries carry on business in the international marketplace. The appreciation of foreign currencies against the US Dollar could adversely affect the Company's earnings and financial condition. In particular, the Company is exposed to increased currency risks because a significant portion of the Company's expenditures relate to its Brazil operations, which are transacted using Brazilian Reals, and a portion of its sales are generated in Brazil using Brazilian Reals. These expenditures and sales are subject to fluctuations in the exchange rates between the Brazilian Real and other currencies, including the US Dollar and the Canadian Dollar. Depending on the relative changes in the currencies, these fluctuations may adversely affect the amount of US Dollars expended in Brazil and the revenue generated in Brazil.

For the years ended December 31, 2018 and 2017, the Company had foreign exchange loss and cumulative translation adjustment as follows:

(in thousands of US Dollars except for percentages)	*For the years ended December 31,* **2018**	2017
Brazilian Real weakening against US Dollar (%)	14.7	1.7
Canadian Dollar weakening (strengthening) against US Dollar (%)	8.0	(7.0)
Foreign exchange loss	**$ (665)**	**$ (1,165)**
Cumulative translation adjustment	**$ (4,800)**	**$ 1,284**

Commodity Price Risk

The Company's operational and financial performance will be dependent upon commodity prices including fertilizers, minerals, grains, raw materials and energy. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control including, but not limited to, supply, demand, interest rates, inflation rates, exchange rates and trade tariffs. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The commodity prices of fertilizers, minerals and grains directly affect the Company's revenues. The commodity prices of raw materials and energy directly affect the Company's cost of goods sold. There can be no assurance that the commodity prices affecting revenues will be correlated with the commodity prices affecting cost of goods sold. Furthermore, the Company may not, or may not be able to, utilize derivatives to hedge its exposure to commodity price volatility. In addition, fluctuations in commodity prices could adversely affect the Company's mineral resource and mineral reserve estimates, including those stipulated in technical reports.

Interest Rate Risk

As at December 31, 2018, the Company's long-term debt was comprised of the Facility, which considers fixed interest rates (see Note 16a).

Credit Risk

The Company is exposed to the credit of certain third parties, which may fail to fulfill performance obligations to the Company. In such circumstances, the carrying amount on the Company's balance sheet could be impacted. Some of the Company's customers require access to credit to purchase the Company's products. A lack of available credit to customers in one or more countries, due to global or local economic conditions or for other reasons, could adversely affect demand for the Company's products.

For the year ended December 31, 2018, Itafos Conda recorded approximately 74% of its total revenues from two customers and Itafos Arraias recorded approximately 25% of SSP revenues from one customer.

As at December 31, 2018 and 2017, the Company had accounts receivable of $35,907 and $116, respectively. Management reviews the aging of accounts receivables and, where necessary, reduces the carrying value to provide for possible losses. As at December 31, 2018 and 2017, management did not anticipate material credit losses and as a result the Company did not record any credit loss provisions.

Liquidity Risk

To achieve its mission and execute its strategy, the Company will continue to require capital to supports its strategic initiatives and development objectives. In addition to cash flows from Itafos Conda and net proceeds from the Facility, the Company intends to raise additional capital in 2019 through a combination of equity and debt financings. The Company has a demonstrated track record of securing financing and a strong capital base. In addition, the Company has received commitment from CLF to continue to provide financial support as required to meet its liabilities as and when they become due to ensure business continuity and ongoing operations over the next 14 months (see Note 2).

Failure to obtain sufficient financing could result in a delay or indefinite postponement of the Company's strategic initiatives and development objectives. Additional financing may not be available when needed, or if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing members. Failure to raise capital when needed could have a material adverse effect on the Company's business, financial condition and results of operations.

Capital Management

The Company's objectives when managing capital are to maintain a flexible capital structure with moderate levels of debt and to invest capital at attractive rates of return into brownfield and greenfield development projects and acquisitions of new businesses. The Company manages its capital structure and makes adjustments as necessary in light of general economic conditions, the risk characteristics of its businesses and projects and working capital requirements.

30. SUBSEQUENT EVENTS

On January 3, 2019, the Company began repurchasing shares through the NCIB. As at April 4, 2019, the Company has repurchased 1,478,500 of its outstanding shares through the NCIB (see Note 18). A copy of the NCIB notice can be obtained free of charge by contacting the Company.

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