Consolidated Financial Statements
for the years ended December 31, 2019 and 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The consolidated financial statements of Itafos (the "Company") and other financial information contained in the management's discussion and analysis ("MD&A") are the responsibility of management and have been approved by the Company's Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). 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 regarding the reliability of financial reporting and preparation of financial statements, management maintains internal control over financial reporting.

The Company's Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Company's Board of directors is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A.

The Audit Committee meets periodically with management and the independent auditors to review internal accounting controls, critical audit 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, MD&A and the independent auditor's report. The Audit Committee also considers and recommends the engagement or reappointment of the independent auditors to the shareholders. The Audit Committee reports its findings to the Company's 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 to discuss their audit and related matters.

Signed "Mhamed Ibnabdeljalil"
MHAMED IBNABDELJALIL
Chief Executive Officer

Signed "George Burdette"
GEORGE BURDETTE
Chief Financial Officer

March 27, 2020

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, 2019 and December 31, 2018, 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, 2019 and 2018;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income (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.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 27, 2020

CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2019 AND 2018

(in thousands of US Dollars)		*As at December 31,* 2019		2018
Assets				
Cash and cash equivalents *(Note 15)*	$	29,109	$	9,919
Accounts receivable		23,446		35,907
Short-term investments *(Note 7)*		—		2,106
Inventories, net *(Note 8)*		105,039		133,840
Other current assets *(Note 12)*		6,563		12,704
Total current assets	**$**	**164,157**	**$**	**194,476**
Long-term inventories, net *(Note 8)*		1,551		—
Property, plant and equipment, net *(Note 10)*		214,817		245,418
Mineral properties, net *(Note 11)*		117,790		124,286
Deferred tax assets *(Note 23)*		858		1,157
Other long-term assets *(Note 12)*		11,591		11,082
Total non-current assets	**$**	**346,607**	**$**	**381,943**
Total assets	**$**	**510,764**	**$**	**576,419**
Liabilities				
Accounts payable and accrued liabilities *(Note 13)*	$	72,062	$	75,601
Provisions *(Note 14)*		2,382		494
Current debt *(Note 15)*		1,400		325
Current debentures *(Note 15)*		1,059		942
Contract liabilities		702		2,067
Other current liabilities *(Note 16)*		2,446		—
Total current liabilities	**$**	**80,051**	**$**	**79,429**
Long-term debt *(Note 15)*		207,149		160,258
Long-term debentures *(Note 15)*		1,702		2,588
Deferred tax liabilities *(Note 23)*		6,980		14,961
Long-term provisions *(Note 14)*		54,952		39,148
Other long-term liabilities *(Note 16)*		17,671		8,256
Total long-term liabilities	**$**	**288,454**	**$**	**225,211**
Total liabilities	**$**	**368,505**	**$**	**304,640**
Equity				
Share capital *(Note 17)*		529,177		515,029
Contributed surplus		246,626		246,626
Cumulative translation adjustment reserve		4,660		3,655
Deficit		(647,266)		(502,593)
Equity attributable to shareholders of the parent	**$**	**133,197**	**$**	**262,717**
Non-controlling interest *(Notes 2 and 17)*		9,062		9,062
Total equity	**$**	**142,259**	**$**	**271,779**
Total liabilities and equity	**$**	**510,764**	**$**	**576,419**

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

Approved by the Board

Signed "Anthony Cina"
ANTHONY CINA
Chairman

Signed "Mhamed Ibnabdeljalil"
MHAMED IBNABDELJALIL
Director

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(in thousands of US Dollars except for per share amounts)	*For the years ended December 31,* 2019	2018
Revenues *(Note 19)*	**$ 339,430**	**$ 302,182**
Cost of goods sold	362,248	276,553
Impairments *(Note 9)*	65,094	146,627
	$ (87,912)	**$ (120,998)**
Expenses		
Selling, general and administrative expenses *(Note 20)*	27,137	21,788
Operating loss	**$ (115,049)**	**$ (142,786)**
Foreign exchange loss *(Notes 21 and 28)*	(2,473)	(665)
Other expense	(2,230)	(653)
Gain on fair valuation of Itafos Conda, net *(Note 6)*	—	46,902
Finance expense, net *(Note 22)*	(28,659)	(15,866)
Gain from investments in associates *(Note 6)*	—	7,910
Gain on asset disposal	170	—
Loss before income taxes	**$ (148,241)**	**$ (105,158)**
Current and deferred income tax expense (recovery) *(Note 23)*	(4,070)	8,329
Net loss attributable to shareholders of the parent	**$ (144,171)**	**$ (113,487)**
Net loss attributable to non-controlling interest	—	—
Net loss	**$ (144,171)**	**$ (113,487)**
Basic loss per share *(Note 18)*	**$ (1.02)**	**$ (0.82)**
Fully diluted loss per share *(Note 18)*	**$ (1.02)**	**$ (0.82)**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(in thousands of US Dollars)	*For the years ended December 31,* 2019	2018
Net loss	**$ (144,171)**	**$ (113,487)**
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustment *(Note 28)*	1,005	(4,800)
Total other comprehensive loss attributable to shareholders of the parent	**$ (143,166)**	**$ (118,287)**
Other comprehensive income (loss) attributable to non-controlling interest	—	—
Total other comprehensive income loss	**$ (143,166)**	**$ (118,287)**

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

ITAFOS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(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 December 31, 2017	**128,018,569**	**$ 486,562**	**$ 246,626**	**$ 8,455**	**$ (389,106)**	**$ 352,537**	**$ 9,062**	**$ 361,599**
Net income (loss)	—	—	—	—	(113,487)	(113,487)	—	(113,487)
Cumulative translation adjustment *(Note 28)*	—	—	—	(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 debt issuance *(Note 15)*	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**
Adjustment on initial application of IFRS 16 (Note 3)	—	—	—	—	(502)	(502)	—	(502)
Adjusted balance as at January 1, 2019	**142,070,301**	**515,029**	**246,626**	**3,655**	**(503,095)**	**262,215**	**9,062**	**271,277**
Net Income (loss)	—	—	—	—	(144,171)	(144,171)	—	(144,171)
Cumulative translation adjustment *(Note 28)*	—	—	—	1,005	—	1,005	—	1,005
Issuance of shares under RSU Plan *(Note 16)*	184,841	179	—	—	—	179	—	179
December 2019, Issuance of shares from private placement	38,076,923	15,000	—	—	—	15,000		15,000
Repurchase of shares through the NCIB *(Note 17)*	(1,781,000)	(1,031)	—	—	—	(1,031)	—	(1,031)
Balance as at December 31, 2019	**178,551,065**	**$ 529,177**	**$ 246,626**	**$ 4,660**	**$ (647,266)**	**$ 133,197**	**$ 9,062**	**$ 142,259**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(in thousands of US Dollars)		*For the years ended December 31,* **2019**		**2018**
Operating activities				
Net loss	$	(144,171)	$	(113,487)
Adjustments for the following items:				
Depreciation and depletion		50,028		27,069
Cash settlement of share-based payments *(Note 16)*		(12)		(140)
Share-based payment expense *(Note 16)*		204		21
Current and deferred income tax (recovery) expense *(Note 23)*		(4,070)		8,329
Gain from investment in associates *(Note 6)*		—		(7,910)
Gain on fair valuation of Itafos Conda, net *(Note 6)*		—		(46,902)
Unrealized foreign exchange (gain) loss		(367)		693
Impairments *(Note 9)*		65,094		146,627
Finance expense, net *(Note 22)*		28,659		15,866
Net change in non-cash working capital *(Note 26)*		39,671		(48,905)
Cash flows from operating activities	**$**	**35,036**	$	(18,739)
Investing activities				
Addition of property, plant and equipment and mineral properties *(Notes 10 and 11)*	$	(46,551)	$	(63,325)
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)
Maturity of short-term investments *(Note 7)*		2,106		—
Acquisition of GBL *(Note 6)*		—		(25,539)
Cash received from GBL at acquisition *(Note 6)*		—		2,898
Issuance of note to GBL *(Notes 6 and 12)*		—		(4,500)
Cash flows from investing activities	**$**	**(44,445)**	$	(151,475)
Financing activities				
Proceeds from debt *(Note 15)*	$	20,000	$	132,671
Repayment of debt *(Note 15)*		—		(4,966)
Proceeds from Revolving Facility *(Note 15)*		10,000		—
Repayment of Revolving Facility *(Note 15)*		(585)		
Repayment of debentures *(Note 15)*		(978)		—
Repayment of principal portion of lease liabilities *(Note 16)*		(4,176)		—
Payment of interest expense *(Note 15)*		(9,640)		(8,733)
Payment of financing costs related to the Facility *(Note 15)*		—		(2,079)
Repurchase of shares through the NCIB *(Note 17)*		(1,031)		—
Net proceeds from issuance of shares *(Note 17)*		15,000		—
Cash flows from financing activities	**$**	**28,590**	$	116,893
Effect of foreign exchange of non-US Dollar denominated cash	$	9	$	(437)
Increase (decrease) in cash		19,190		(53,758)
Cash, beginning of period		9,919		63,677
Cash, end of period	**$**	**29,109**	**$**	**9,919**

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

(amounts in thousands of US Dollars)

1. GENERAL COMPANY INFORMATION

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 mine and fertilizer business with capacity to produce and sell monoammonium phosphate ("MAP"), MAP with micronutrients ("MAP+"), superphosphoric acid ("SPA"), merchant grade phosphoric acid ("MGA") and specialty products including ammonium polyphosphate ("APP") located in Idaho, US;
- Itafos Arraias[1] – a vertically integrated phosphate mine and fertilizer business with capacity to produce and sell single superphosphate ("SSP"), SSP with micronutrients ("SSP+"), premium PK compounds and excess sulfuric acid located in Tocantins, Brazil;
- Itafos Farim – a high-grade phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Paris Hills – a high-grade phosphate mine project located in Idaho, US;
- Itafos Santana – a vertically integrated high-grade phosphate mine and fertilizer plant project located in Pará, Brazil;
- Itafos Mantaro – a large phosphate mine project located in Junin, Peru; and
- Itafos Araxá – a vertically integrated rare earth elements and niobium mine and extraction plant project located in Minas Gerais, Brazil.

The Company's principal shareholder is CL Fertilizers Holding LLC ("CLF"). CLF is an affiliate of Castlelake, L.P., a global private investment firm (see Note 27). CLF is a Delaware limited liability company with offices in Minnesota, US. As at December 31, 2019, CLF beneficially owned and controlled 124,149,216 shares of the Company, representing approximately 69.5% of the issued and outstanding shares on an undiluted basis. 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 (see Note 17). CLF is a related party (see Note 27).

The Company's shares trade on the TSX Venture Exchange ("TSX-V") 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 consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 27, 2020.

[1] Itafos Arraias previously produced and sold PK compounds as part of the repurpose plan, which was enabled by purchasing higher grade phosphate rock from third parties.

GOING CONCERN BASIS

These consolidated financial statements have been prepared and presented under the historical cost convention and on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future (see Note 4).

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 intercompany transactions are eliminated on consolidation.

As at December 31, 2019 and 2018, the Company had subsidiaries located in Barbados, Brazil, the British Virgin Islands, the Cayman Islands, Guinea-Bissau, the Netherlands, Peru, Portugal, Switzerland and the US. 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 GB Minerals Ltd. ("GBL"), the owner of Itafos Farim (see Note 6). As at December 31, 2018, the Company had two subsidiaries located in Canada including GBL and a wholly-owned subsidiary of GBL. In May 2019, GBL and its wholly-owned subsidiary located in Canada merged, with GBL surviving. Also in May 2019, GBL migrated to the Cayman Islands and changed its name to Itafos Farim Holdings.

During Q1 2018, Brazilian warrants held by third parties were converted into shares, resulting in non-controlling interests ("NCI") in Itafos Arraias and Itafos Santana. During Q2 2018, NCI in Itafos Arraias was reduced due to the capitalization of intercompany loans (see Note 17).
As at December 31, 2019 and 2018, the Company had NCI as follows:

	Company interests	NCI
Itafos Arraias Mineracao e Fertilizantes S.A.	97.0%	3.0%
Itafos Santana Mineracao e Fertilizantes S.A.	99.4%	0.6%

CURRENCIES

The Company's presentation and functional currency is US Dollars ("$"). In May 2019, GBL changed its functional currency from Canadian Dollars ("C$") to US Dollars and Itafos Farim, Sarl (formerly known as GB Minerais Sarl), a wholly-owned subsidiary of GBL, changed its functional currency from Central African Francs to US Dollars.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are summarized below

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. The Company is required to maintain a minimum cash balance of $1,000 (see Note 15).

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, MAP+, MGA, APP, SSP, SSP+, PK compounds 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 or net realizable value. Prior to commercial production, inventory costs less proceeds from sales and any adjustment from book value to net realizable value are 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 inventory 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, methods 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).

LEASES

Policy applicable before January 1, 2019

The Company classified any leases that transferred substantially all of the risks and rewards of ownership as finance leases. The Company classified assets held under other leases as operating leases and were not recognized in the Company's balance sheet. The Company recognized payments made under operating leases in the statement of operations on a straight-line basis over the term of the lease.

Policy applicable from January 1, 2019

The Company recognizes a right-of-use asset and corresponding lease liability for any leased assets not of low-value in nature with noncancelable lease terms greater than 12 months in duration. In determining the lease term, the Company assesses the economic benefits of exercising contractual options to extend the duration of the lease or terminate, when applicable.

Upon recognizing a right-of-use asset, the Company discounts the future lease payments, including any applicable residual value guarantees, purchase options, or termination penalties, using an interest rate within the following hierarchy: (i) borrowing rate implicit in the lease and (ii) the Company's incremental borrowing rate. Variable lease payments dependent upon an index or rate are measured using the index or rate at the commencement date of the lease. The amount capitalized as a right-of-use asset is depreciated over the term of the lease and the corresponding lease liability is charged interest at the same rate used for discounting purposes. If the Company is unable to quantify the value of a right-of-use asset because the lease payments are variable and not dependent upon an index or rate, the Company shall not recognize a right-of-use asset or corresponding lease liability, but rather disclose the amount of costs incurred during the period relating to such arrangements.

The Company assesses a lease modification to determine if the modification should be accounted for as a separate lease or the modification should be allocated to the remaining lease term of the modified lease. The Company's determination will be based on the change in scope of the lease agreement and whether the price is commensurate with the change in scope. If the Company determines that a lease modification shall not be accounted for as a separate lease, the Company will remeasure the future lease payments in a manner consistent with that of a new lease. The measured future lease payments will be discounted using effective rates at time of the modification over the revised term of the modified lease.

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 Farim, (ii) Itafos Paris Hills, (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 International Accounting Standard ("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 28). 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. ("Nutrien"), 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 16).

As at December 31, 2019 and 2018, share-based payments were related to RSUs granted by the Company under its restricted share unit 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.

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, MAP+, SPA, MGA and APP to its customers in the North American market and Itafos Arraias sales of SSP, SSP+, PK compounds 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

IFRS 9 Financial Instruments ("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. Under IFRS 9, financial liabilities are amortized at cost or if the fair value option is chosen, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income.

IFRS 9 included clarification on the accounting for modifications of financial liabilities. The Company has accounted for modifications in accordance with the clarifications 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 introduced 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.

For the years ended December 31, 2019 and 2018, the Company has no hedges on its consolidated financial statements.

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 Farim, (ii) Itafos Paris Hills, (iii) Itafos Santana, (iv) Itafos Mantaro and (v) Itafos Araxá. The Corporate segment is comprised of support, administrative and financing activities (see Note 25).

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 accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenues 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. Estimates are deemed critical, 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. 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

In November 2019, the Company received a commitment from CLF to invest up to an incremental $36,000, if required, for the Company to meet its liabilities as and when they become due to ensure business continuity and ongoing operations through December 31, 2020. On December 31, 2019, the Company completed a $36,000 capital raise with CLF through a non-brokered private placement financing of $15,000 and an amendment to increase the availability of a previously issued subordinated promissory note by $21,000. As at December 31, 2019, the Company had borrowed $5,000 of the available $21,000, with the balance of $16,000 remaining available to be drawn by the Company at its sole discretion through December 31, 2020 (see Notes 15 and 17).

Also on December 31, 2019, the Company executed the amended and restated credit and guaranty agreement (the "A&R Credit Agreement"), replacing the existing credit and guaranty agreement dated May 18, 2018, including prior amendments, and further amended certain terms to provide the Company with additional financial flexibility including deferring the commencement of testing of financial covenants to September 30, 2020 and reducing cash interest payable in 2020 (see Note 15).

The amount of the capital raise completed on December 31, 2019 was based on the Company's business plan in November 2019. Despite significant and continued downward pressure on global fertilizer prices since November 2019, the amount of the capital raise completed on December 31, 2019 is currently projected to be sufficient through December 31, 2020. However, any further reductions to global fertilizer price trends, or other factors that could reduce cash flow from operations, including, but not limited to, potential operational disruptions resulting from coronavirus, could result in a cash shortfall and/or financial covenant default, unless otherwise remedied (see Note 28). While the Company has a demonstrated track record of raising capital and amending its financial covenants, there can be no assurance of the Company's ability to do so going forward.

The Company has made judgements, based on its business plan, in concluding that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Judgements and estimates are made in forming assumptions of future activities, future cash flows and timing of those cash flows. The Company made significant assumptions in preparing its business plan, including, but not limited to, commodity prices, production and sales volumes and operating costs. Changes to such assumptions could affect the Company's conclusion as to whether there are material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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.

Leases

Judgment is used in the Company's assessment if it is reasonably certain that an extension option will be exercised. Estimates are used to determine the lease term and the appropriate discount rate applied to the lease payments to calculate the lease liability.

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. On July 3, 2018, Itafos Arraias achieved commercial production by meeting the capacity utilization metric.

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 24).

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.

Environmental and Asset Retirement Obligations

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

Income Tax

The Company is subject to income 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

NEW ACCOUNTING STANDARDS EFFECTIVE IN 2019

IFRS 16 Leases

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 are recorded on the balance sheet with corresponding lease liabilities. Exempt from IFRS 16 are 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.

On January 1, 2019, the Company amended its accounting policy for leases to align with the requirements of IFRS 16.

On January 1, 2019, the Company recognized $13,170 of right-of-use assets, net of accumulated depreciation, and $13,672 of corresponding lease liabilities. The Company elected to apply IFRS 16 using the modified retrospective approach, which requires the cumulative effect of initial application to be recognized in retained earnings at January 1, 2019. Also, the Company elected to exclude initial direct costs when measuring the amount of right-of-use assets. Additionally, the Company elected to apply a single discount rate to portfolios of leases with similar characteristics.

The off-balance sheet lease obligations as at December 31, 2018 are reconciled to the recognized lease liabilities as at January 1, 2019 as follows:

(in thousands of US Dollars)		**January 1, 2019**
Off-balance sheet lease obligations as at December 31, 2018	$	**15,522**
Other		744
Operating lease obligation as at January 1, 2019 (without discounting)		**16,266**
Discounting at weighted average rate of 7.64%		(2,594)
Total lease liabilities as at January 1, 2019 (initial application of IFRS 16)	$	**13,672**

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 concluded that the effect of this Interpretation did not have a material impact. Accordingly, the Company has not recorded any adjustment to these consolidated financial statements.

NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The IASB have issued certain new accounting standards and interpretations that are mandatory for accounting periods after December 31, 2019. Certain of the new accounting standards and interpretations, which are not expected to have a significant impact on the Company's consolidated financial statements upon adoption, are as follows:

- Conceptual Framework for Financial Reporting; and
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies Changes in Accounting Estimates and Errors, Definition of Material.

6. ACQUISITIONS

Itafos Conda

On January 12, 2018, the Company completed the acquisition of Itafos Conda from Agrium, a wholly-owned subsidiary of Nutrien. 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 December 31, 2023;
- an ammonia supply agreement whereby Agrium supplies 100% of ammonia required by Itafos Conda through December 31, 2023;
- a phosphate ore supply agreement whereby Itafos Conda purchased 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 through December 31, 2018.

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 date. 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 date 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 other 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 estimate 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 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 resulted in a gain on fair valuation of Itafos Conda of $46,902.

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

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

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, of which $25,539 was paid in cash at closing and $23,335 was paid with an issuance of 11,301,732 shares of the Company. 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**

Prior to the GBL Arrangement, the Company accounted for its investment in GBL as an investment in associates using the equity method. Following completion of GBL Arrangement, the Company consolidated GBL, recorded a gain from investment in associates of $7,910 and eliminated $9,816 of notes payable by GBL to the Company (see Note 12).

7. SHORT-TERM INVESTMENTS

As at December 31, 2019 and 2018, the Company had short-term investments of $0 and $2,106, 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, 2019 and 2018, the Company had inventories as follows:

(in thousands of US Dollars)	As at December 31, 2019	2018
Finished goods	$ 27,738	$ 28,043
Work in process	5,998	5,686
Raw materials	56,085	86,165
Spare parts	19,417	17,316
Net realizable value adjustments	(2,648)	(3,370)
Inventories, net	**$ 106,590**	**$ 133,840**
Less: current portion	(105,039)	(133,840)
Long-term inventories, net	**$ 1,551**	**$ —**

As at December 31, 2019, net realizable value adjustments of $(2,648) were comprised of $(2,008) and $(640) related to finished goods at Itafos Conda and Itafos Arraias, respectively. As at December 31, 2018, net realizable value adjustments of $(3,370) were related to finished goods at Itafos Arraias.

As at December 31, 2019, the Company reclassified $1,551 to non-current inventories related to raw materials at Itafos Arraias following the decision to idle Itafos Arraias.

9. IMPAIRMENTS

For the years ended December 31, 2019 and 2018, the Company had impairments as follows:

(in thousands of US Dollars)	For the years ended December 31, 2019	2018
Itafos Arraias	$ 47,544	$ 132,252
Itafos Farim	15,662	11,239
Itafos Santana	1,888	3,136
Impairments	**$ 65,094**	**$ 146,627**

2019 IMPAIRMENT ASSESSMENT

As at December 31, 2019, the Company's book value of net assets exceeded its market capitalization, which triggered an overall impairment assessment. In addition, the Company's decision to idle Itafos Arraias triggered an impairment assessment of Itafos Arraias. As a result of the overall impairment trigger, the Company performed valuations to estimate the respective recoverable amounts of Itafos Conda, Itafos Arraias, Itafos Farim, Itafos Paris Hills 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 28). 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 $47,544 (see Notes 10). The impairment of Itafos Arraias was primarily due to a longer expected ramp-up to optimal capacity utilization and increased associated upfront capital expenditures.

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**
First full year at optimal capacity utilization (year)	2023
Run-rate EBITDA	Approximately $33,000
Long-term SSP sales price ($/tonne)	200
Long-term Brazilian Real: US Dollar exchange rate (R$:$)	4.10
Weighted average cost of capital (%)	9.6
Upfront capital expenditures	Approximately $55,000

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 restart/ramp-up to optimal capacity	Approximately $17,000
10% reduction to run-rate EBITDA	Approximately $25,000
10% reduction to long-term pricing	Approximately $76,000
10% strengthening of Brazilian Real against US Dollar	Approximately $43,000
1% increase to weighted average cost of capital	Approximately $16,000
10% increase in upfront capital expenditures	Approximately $5,000

In order to estimate the respective recoverable amounts of Itafos Farim, Itafos Paris Hills 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 advanced development stage, high grade phosphate rock and low cost features, the Company considered certain premiums 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 concluded that the respective estimated recoverable amounts of Itafos Farim and Itafos Santana were below their respective carrying values and therefore recorded respective impairments of $15,662 and $1,888 (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 2019.

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 $6,000 and $1,000.

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 Farim, Itafos Paris Hills 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**
First full year at optimal capacity utilization (year)	2021
Run-rate EBITDA	Approximately $33,000
Long-term SSP sales price ($/tonne)	200
Long-term Brazilian Real: US Dollar exchange rate (R$:$)	3.90
Weighted average cost of capital (%)	10.4
Upfront capital expenditures	Approximately $16,000

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 restart/ramp-up to optimal capacity	Approximately $39,000
10% reduction to run-rate EBITDA	Approximately $28,000
10% reduction to long-term pricing	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
10% increase in upfront capital expenditures	Approximately $1,500

In order to estimate the respective recoverable amounts of Itafos Farim, Itafos Paris Hills 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

10. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2019, the Company had 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, 2018	**$ 24,860**	**$ 145,675**	**$ 137,271**	**$ 24,845**	**$ 332,651**
Initial application of IFRS 16 *(Note 5)*	—	227	12,943	—	13,170
Additions	—	6,685	14,633	24,413	45,731
Impairments *(Note 9)*	—	(21,395)	(26,149)	—	(47,544)
Disposals/transfers	(161)	—	502	(649)	(308)
Balance as at December 31, 2019	**$ 24,699**	**$ 131,192**	**$ 139,200**	**$ 48,609**	**$ 343,700**
Accumulated depreciation					
Balance as at December 31, 2018	**$ —**	**$ 27,286**	**$ 59,947**	**$ —**	**$ 87,233**
Additions	—	3,692	38,104	—	41,796
Disposals/transfers	—	—	(146)	—	(146)
Balance as at December 31, 2019	**$ —**	**$ 30,978**	**$ 97,905**	**$ —**	**$ 128,883**
Property, plant and equipment, net					
As at December 31, 2018	**$ 24,860**	**$ 118,389**	**$ 77,324**	**$ 24,845**	**$ 245,418**
As at December 31, 2019	**$ 24,699**	**$ 100,214**	**$ 41,295**	**$ 48,609**	**$ 214,817**

For the year ended December 31, 2018, the Company had 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**

As at December 31, 2019 and December 31, 2018, the balances of property, plant and equipment include capitalized interest of $8,947 and $6,850, respectively.

For the years ended December 31, 2019 and 2018, the property, plant, and equipment additions included $6,453 and $10,602 of Itafos Conda plant turnaround costs on a one-year cycle and on a two-year cycle, respectively.

IFRS 16 – RIGHT-OF-USE ASSETS

On January 1, 2019, the Company amended its accounting policy for leases to align with the requirements of IFRS 16. As at December 31, 2019 the Company had right-of-use assets, recorded as a component of property, plant and equipment, as follows:

(in thousands of US Dollars)	Right-of-use assets- buildings and plant	Right-of-use assets- machinery, equipment and other	Total right-of-use assets
Cost			
As at January 1, 2019 (initial application of IFRS 16)	$ 227	$ 12,943	$ 13,170
Additions	—	977	977
Disposals/expirations	—	(146)	(146)
Balance as at December 31, 2019	$ 227	$ 13,774	$ 14,001
Accumulated depreciation			
Additions	71	4,249	4,320
Disposals/expirations	—	(146)	(146)
Balance as at December 31, 2019	$ 71	$ 4,103	$ 4,174
Right-of-use assets, net			
Balance as at December 31, 2019	$ 156	$ 9,671	$ 9,827

The Company is unable to quantify the value of certain of its right-of-use assets because the lease payments are variable and not dependent upon an index or rate. In such cases, the Company did not recognize a right-of-use asset or corresponding lease liability. For the year ended December 31, 2019, the Company had $22,614 of costs related to variable lease payments that are not dependent on an index or rate (see Note 5).

The Company is exempt from quantifying the value of certain of its right-of-use assets for leases that are 12 months or less in duration or for leases of low-value assets. In such cases, the Company did not recognize a right-of-use asset or corresponding lease liability. For the year ended December 31, 2019, the Company's costs related to short-term leases of low-value assets were not material (see Note 5).

11. MINERAL PROPERTIES

For the years ended December 31, 2019 and 2018, the Company had 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, 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	12,211	9,198		21,409
Depletion	—	—	(11,388)	(11,388)
Impairments *(Note 9)*		(17,550)		(17,550)
Foreign currency translation adjustments	—	1,033	—	1,033
Balance as at December 31, 2019	$ 57,609	$ 79,318	$ (19,137)	$ 117,790

Additions to mineral properties were related to activities of Itafos Conda and Itafos Farim.

Foreign currency translation adjustments to exploration and evaluation costs were related to exchange rate changes prior to the US Dollar being designated as the functional currency of Itafos Farim (see Note 2).

12. OTHER ASSETS

As at December 31, 2019 and 2018, the Company had other assets as follows:

	As at December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Tax credits	$ 13,169	$ 13,552
Advances to suppliers	905	1,707
Other receivables	—	3,106
Deposits	—	1,500
Other	4,080	3,921
Other assets	**$ 18,154**	**$ 23,786**
Less: current portion	(6,563)	(12,704)
Other non-current assets	**$ 11,591**	**$ 11,082**

As at December 31, 2019 and 2018, the Company had other current assets as follows:

	As at December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Tax credits	$ 2,371	$ 3,146
Advances to suppliers	905	1,707
Other receivables	—	3,106
Deposits	—	1,500
Other	3,287	3,245
Other current assets	**$ 6,563**	**$ 12,704**

As at December 31, 2019 and 2018, tax credits were Brazilian state and federal tax credits that accumulated primarily on purchases of property, plant and equipment at Itafos Arraias, which can be applied to offset and potentially reimburse certain value added taxes and other taxes payable at Itafos Arraias in future periods.

As at December 31, 2019 and 2018, other receivables were related to activities performed by Itafos Conda on behalf of a subsidiary of Agrium.

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, these promissory notes, including accrued interest, were treated as an intercompany balance and eliminated on consolidation (see Note 6).

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31, 2019 and 2018, the Company had accounts payable and accrued liabilities as follows:

	As at December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Payroll and related taxes payable	$ 6,539	$ 6,938
Taxes payable	16,263	13,885
Trade payables	32,379	25,960
Accrued liabilities and other	12,428	12,519
Rebates	1,147	1,506
Other payables	3,306	2,175
Accrued liabilities payable through MAP offtake agreement	—	12,618
Accounts payable and accrued liabilities	**$ 72,062**	**$ 75,601**

14. PROVISIONS

As at December 31, 2019 and 2018, the Company had provisions as follows:

(in thousands of US Dollars)		*As at December 31,* 2019		2018
Legal contingencies	$	2,382	$	494
Environmental and asset retirement obligations		54,952		39,148
Provisions	**$**	**57,334**	$	39,642
Less: current portion		(2,382)		(494)
Long-term provisions	**$**	**54,952**	$	39,148

For the years ended December 31, 2019 and 2018, 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, 2017	**$**	**2,952**
Additions		35,466
Accretion		730
Balance as at December 31, 2018	**$**	**39,148**
Additions		14,763
Accretion		1,041
Balance as at December 31, 2019	**$**	**54,952**

15. DEBT AND DEBENTURES

DEBT

The Facility

On June 6, 2018, the Company closed a $165,000 credit and guaranty agreement (the "Credit Agreement" and as subsequently amended and restated, 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 originally accrued 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; however, the interest rate and allocation were subsequently modified under the A&R Credit Agreement. 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. 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. In connection with the closing of the Facility, the Company issued 2,750,000 shares to the syndicate of lenders of the Facility (including CLF) (see Notes 17 and 27).

As at December 31, 2019 and 2018, $12,949 and $4,417 of in-kind interest were capitalized into principal of the Facility, respectively. As at December 31, 2019 and 2018, the Company accrued cash interest related to the Facility in the amounts of $380 and $325, respectively. As at December 31, 2019 and 2018, the Company accrued in-kind interest related to the Facility in the amounts of $518 and $325, respectively.

During 2018, the Company incurred financing costs of $5,829 related to the Facility, which were capitalized and presented as a reduction of the carrying value of the Facility, which is amortized using the effective interest rate method. For the year ended December 31, 2019 and 2018, the Company amortized $4,303 and $1,477, respectively of the capitalized financing costs.

On December 17, 2018, the Company executed the first amendment (the “First Amendment”) to the Facility. The First 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 First Amendment was recorded as a debt modification. The Company discounted the cash flows of the Facility considering the First Amendment at the original effective interest rate, resulting in a gain on debt modification of the Facility of $908, which was recorded as finance expense.

The Facility includes restrictive financial covenants that require the Company not to exceed certain ratios as at the end of each fiscal quarter. In June 2019, the Company executed the second amendment to the Facility, which delayed the testing of the restricted financial covenants commencing June 30, 2019 until September 30, 2019.

In September 2019, the Company executed the third amendment to the Facility, which permitted the Company to incur up to $70,000 in convertible unsecured subordinated debt to fund its general working capital and capital expenditure needs.

Also in September 2019, the Company executed the fourth amendment to the Facility (the “Fourth Amendment”). The key terms of the Fourth Amendment are as follows:

- sculpted the restrictive financial covenants considering the Company’s business plan, including certain new financial covenants related to Itafos Arraias’ EBITDA and capex;
- granted additional flexibility to raise working capital financings at Itafos Conda and Itafos Arraias, subject to certain terms and conditions;
- required a capital raise by December 31, 2019 of the lesser of $40,000 or 24.9% of Itafos’ market capitalization (the “Required Capital Raise”), inclusive of the $15,000 convertible unsecured subordinated debt funded by CLF on September 11, 2019;
- increased cash interest by 1% per annum for each quarter that the Company’s Consolidated Leverage Ratio is equal to or greater than 4.00:1.00 at the end of such quarter beginning with the quarter ended September 30, 2019 and 2% per annum until the Required Capital Raise is completed beginning October 31, 2019; and
- increased the principal balance owed under the Facility by $2,200;
- reduced minimum cash requirements upon closing working capital financings at Itafos Conda and/or Itafos Arraias; and
- considered other terms and conditions customary for similar amendments.

The changes in the Company’s debt as a result of the Fourth Amendment were recorded as a debt modification. The Company discounted the cash flows of the Facility considering the Fourth Amendment at the original effective interest rate, resulting in a loss on debt modification of the Facility of $2,569, which was recorded as finance expense.

On December 31, 2019, the Company executed the A&R Credit Agreement. The key terms of the A&R Credit Agreement are as follows:

- delayed testing of financial covenants until September 30, 2020 and re-sculpted financial covenants thereafter considering the Company’s business plan;
- reallocated interest of 12% per annum from 9% payable in cash and 3% payable in kind to 5% payable in cash and 7% payable in kind until December 6, 2020 or certain conditions have been met;
- eliminated additional interest of 1% per annum payable in cash for each quarter that the Company’s Consolidated Secured Leverage Ratio is equal to or greater than 4.00:1.00 at the end of such quarter;
- reduced minimum cash requirement from $2,500 to $1,000; and
- other terms and conditions customary for similar agreements.

In exchange for eliminating additional interest of 1% per annum payable in cash for each quarter that the Company's Consolidated Secured Leverage Ratio is equal to or greater than 4.00:1.00 at the end of such quarter, the Company intends to issue five million shares (the "Shares") to lenders to the A&R Credit Agreement, subject to approval from the TSX-V. Until the issuance of the Shares is approved by the TSX-V and such Shares have been issued to the lenders pursuant to the A&R Credit Agreement, the Company would be subject to additional interest of 1.25% per annum payable in kind for each quarter that the Company's Consolidated Secured Leverage Ratio is equal to or greater than 4.00:1.00 at the end of such quarter. As at December 31, 2019, the Company accrued the fair value of the Shares of $2,502 in accrued liabilities and other. Subsequent to December 31, 2019, the Company issued the Shares to its lenders pursuant to the A&R Credit Agreement (see Note 29).

The changes in the Company's debt as a result of the A&R Credit Agreement were recorded as a debt modification. The Company discounted the cash flows of the Facility considering the A&R Credit Agreement at the original effective interest rate, resulting in a loss on debt modification of the Facility of $727, which was recorded as finance expense.

CLF Promissory Note

On September 11, 2019, the Company borrowed $15,000 from CLF in the form of convertible unsecured subordinated debt. The debt is evidenced by an unsecured and subordinated promissory note issued by the Company in favor of CLF in the principal amount of $15,000 (the "CLF Promissory Note"). On December 31, 2019, the Company amended and restated the CLF Promissory Note to increase the availability by $21,000 and to remove the convertibility feature. Concurrently with the amendment and restatement, the Company borrowed $5,000 of the available $21,000, with the balance of $16,000 remaining available to be drawn by the Company at its sole discretion through December 31, 2020. An availability fee of 4% per year is owed to CLF on undrawn amounts during the availability period, with such fee to be capitalized and added to principal on a quarterly basis. The CLF Promissory Note is subordinate to the Facility and subject to the terms of subordination incorporated thereunder. The CLF Promissory Note bears interest at 15% per year. The interest is added to and increases the outstanding principal balance of the CLF Promissory Note on a quarterly basis and is payable on demand no earlier than six months after the date on which the Facility is paid in full.

Equipment Financings

On February 28, 2019, Itafos Conda purchased mining equipment in exchange for notes payable of $1,341 and $1,988 that mature in 24 months and 42 months, respectively. The notes payable bear interest at 8.3% per annum with equal monthly installments of principal and interest through maturity.

Revolving Facility

On October 31, 2019, Itafos Conda closed a $20,000 secured working capital facility (the "Revolving Facility") and expanded its commercial relationship with Gavilon Fertilizer, LLC ("Gavilon"), a subsidiary of The Gavilon Group, LLC. The Revolving Facility considers an initial tranche of $10,000 committed at closing with an option, subject to certain terms and conditions, to commit to an additional tranche of $10,000. The Revolving Facility matures on October 31, 2021 and accrues interest at 8% per annum for any amounts outstanding and has a non-use fee of 4% per annum for any undrawn committed amounts. The Revolving Facility is secured by certain accounts receivable and inventory of Itafos Conda. In connection with the closing of the Revolving Facility, Itafos Conda expanded its commercial relationship with Gavilon, including supply of additional fertilizer products to Gavilon over the term of the Revolving Facility. As at December 31, 2019, Itafos Conda had drawn $9,415 under the Revolving Facility. Subsequent to December 31, 2019, Itafos Conda drew an additional $585 under the initial tranche of the Revolving Facility (see Note 29).

Changes in Debt

For the years ended December 31, 2019 and 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		—
Capitalization of in-kind interest of the Facility		—		4,417
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)		—
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**
Issuance of CLF Promissory Note		—		20,000
Interest accruals of CLF Promissory Note		—		689
Capitalization of in-kind interest of the Facility		—		8,532
Capitalization of amendment fee of the Facility		—		2,198
Payment of cash interest of the Facility		(9,640)		—
Interest accrual of the Facility		9,695		—
Change in accrued in-kind interest of the Facility		—		193
Amortization of financing costs of the Facility, including loss on debt modification		—		4,367
Proceeds from Revolving Facility		—		10,000
Repayment of Revolving Facility				(585)
Notes payable related to equipment purchases at Itafos Conda		1,020		1,497
Balance as at December 31, 2019	**$**	**1,400**	**$**	**207,149**

DEBENTURES

As at December 31, 2019 and 2018, the Company had debentures as follows:

		As at December 31,		
(in thousands of US Dollars)		**2019**		**2018**
Brazilian debentures	$	1,203	$	1,391
Canadian debentures issued to CLF		456		496
Canadian debentures issued to Banco Modal S.A.		1,102		1,643
Debentures	**$**	**2,761**		**3,530**
Less: current portion		(1,059)		(942)
Long-term portion of debentures	**$**	**1,702**	**$**	**2,588**

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

Canadian debentures issued to CLF bear interest at 10% per annum with 10 equal annual installments of principal and interest through maturity on October 27, 2026.

Canadian debentures issued to Banco Modal S.A. bear interest at 7.5% per annum with four equal annual installments of principal and interest through maturity on May 31, 2021 and July 28, 2021.

16. OTHER LIABILITIES

As at December 31, 2019 and 2018, the Company had other long-term liabilities as follows:

	As at December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Taxes payable	$ 7,808	$ 7,280
Other equity warrants	—	85
Share-based payments	863	875
Lease liabilities	11,428	—
Other	18	16
Other liabilities	**$ 20,117**	**$ 8,256**
Less: current portion	(2,446)	—
Other long-term liabilities	**$ 17,671**	**$ 8,256**

As at December 31, 2019 and 2018, taxes payable were primarily related to the taxes payable to the Brazilian tax authorities resulting from intercompany loans between the Company's subsidiaries. These taxes would become due after 2020 upon maturity of the intercompany loans.

As at December 31, 2018, other equity warrants were related to the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of Stonegate Agricom Ltd. ("STG"). On July 18, 2017, the Company exchanged 100,000,000 outstanding common share purchase warrants of STG for 800,000 ordinary share purchase warrants of the Company. On January 7, 2019, the right to exercise the 800,000 ordinary share purchase warrants of the Company expired.

On January 1, 2019, the Company amended its accounting policy for leases to align with the requirements of IFRS 16 (see Note 5). Lease liabilities reflect the present value of future payments under the terms of the leases. Amounts expected to be paid within 12 months are presented as other current liabilities and any payments expected to be paid beyond 12 months are included in other long-term liabilities.

As at December 31, 2019, and 2018, the Company had other current liabilities as follows:

	As at December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Lease liabilities	$ 2,446	$ —
Other current liabilities	**$ 2,446**	**$ —**

As at December 31, 2019, the Company had total future contractual payments for leases recognized under IFRS 16 as follows:

(in thousands of US Dollars)	**December 31, 2019**
Within 1 year	$ 3,259
Between 2 and 3 years	5,086
Between 4 and 5 years	4,402
After 5 years	1,382
Total contractual payments	**$ 14,129**

For the period December 31, 2018 through December 31, 2019, the Company had changes in lease liabilities as follows:

(in thousands of US Dollars)	Current Lease Liabilities	Long-term Lease Liabilities
Balance as at December 31, 2018	**$ —**	**$ —**
Initial Application of IFRS 16	4,009	9,663
New leases commenced during the period	128	817
Interest accrual on the leases	987	—
Lease payments	(2,678)	(1,498)
Balance as at December 31, 2019	**$ 2,446**	**$ 8,982**

For the years ended December 31, 2019 and 2018, the Company granted 2,053,354 and 1,367,303 RSUs, respectively under the Company's RSU Plan. For the year ended December 31, 2019, the Company cash settled 17,550 RSUs for $12, which were related to 2017 grants. 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, 2019 and 2018 the Company had share-based payment expense of $204 and $21, respectively, which were recorded as selling, general and administrative expenses (see Note 20).

For the years ended December 31, 2019 and 2018, the Company had changes in RSUs as follows:

	RSUs
Balance as at December 31, 2017	**1,631,880**
Granted	1,367,303
Cash settled	(75,017)
Vested	—
Forfeited	(111,382)
Balance as at December 31, 2018	**2,812,784**
Granted	2,053,354
Cash settled	(17,550)
Vested	(210,227)
Forfeited	(298,756)
Balance as at December 31, 2019	**4,339,605**

During Q1 2019, 376,853 RSUs related to 2017 grants vested, net of the cash settled 13,500 RSUs. During Q3 2019, the Company issued 140,331 shares (net of 11,747 shares withheld to pay applicable taxes) and cash settled 4,050 RSUs for $3. The Company issued 190,248 shares (net of 30,477 shares withheld to pay applicable taxes) in respect of the remaining 220,725 RSUs in Q1 2020. (see Note 29).

During Q4 2019, the Company issued 44,510 shares under the RSU plan (net of 13,639 shares withheld to pay applicable taxes).

17. 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, 2019 and 2018, the Company had 178,551,065 and 142,070,301 shares issued and outstanding, respectively.

During 2019, the Company issued 184,841 shares under the RSU Plan (see Note 16).

On December 12, 2018, the Company received conditional acceptance from the TSX-V to commence a Normal Course Issuer Bid ("NCIB"). Through the NCIB, the Company could purchase, over the 12-month period of the NCIB, up to an aggregate of 7,103,515 shares of the Company, representing 5.0% of the Company's outstanding shares as at December 12, 2018. The NCIB commenced on December 14, 2018 and terminated on December 13, 2019. All purchases through the NCIB have been and were made through the facilities of the TSX-V or alternative Canadian trading systems at market prices or by such other means as may be permitted under applicable securities laws. During the year ended December 31, 2019, the Company repurchased and cancelled 1,781,000 shares through the NCIB for an aggregate amount of $1,031.

On December 31, 2019, the Company issued 38,076,923 shares to CLF at an offering price of C$0.52 per share on a non-brokered private placement basis for aggregate gross proceeds of $15,000.

On June 6, 2018, the Company issued 2,750,000 shares to the syndicate of lenders of the Facility (see Note 15 and 27).

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

WEIGHTED-AVERAGE NUMBER OF SHARES

For the years ended December 31, 2019 and 2018, the Company had weighted-average number of shares and potentially dilutive RSUs as follows:

	For the years ended December 31,	
	2019	**2018**
Weighted average number of shares	140,806,201	139,091,533
Weighted average number of potentially dilutive RSUs	2,569,869	1,892,424
Diluted weighted average number of shares	**143,376,070**	**140,983,957**

For the years ended December 31, 2019 and 2018, the Company had net losses. Accordingly, all potentially dilutive RSUs were excluded from diluted weighted average number of shares.

NCI

During Q1 2018, Brazilian warrants held by third parties were converted into shares, resulting in NCI in Itafos Arraias and Itafos Santana. During Q2 2018, NCI in Itafos Arraias was reduced due to the capitalization of intercompany loans. As at December 31, 2019 and 2018, the Company had NCI of $9,062.

18. LOSS PER SHARE

For the years ended December 31, 2019 and 2018, 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)	**2019**	**2018**
Net loss attributable to shareholders of the parent	$ (144,171)	$ (113,487)
Weighted average shares outstanding	**140,806,201**	139,091,533
Basic loss per share	**$ (1.02)**	$ (0.82)
Fully diluted loss per share	**$ (1.02)**	$ (0.82)

For the years ended December 31, 2019 and 2018, the Company excluded 2,569,869 and 1,892,424, 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.

19. REVENUES

For the years ended December 31, 2019 and 2018, Itafos Conda had revenues as follows:

(in thousands of US Dollars)		*For the years ended December 31,* 2019		2018
MAP	$	148,182	$	144,084
MAP+		873		—
SPA		130,233		120,925
MGA		1,342		388
APP		17,921		11,133
Revenues	**$**	**298,551**	**$**	**276,530**

For the years ended December 31, 2019 and 2018, Itafos Conda recorded approximately 69% and 74%, respectively, of its total revenues from two customers, respectively.

For the years ended December 31, 2019 and 2018, Itafos Arraias had revenues as follows:

(in thousands of US Dollars)		*For the years ended December 31,* 2019		2018
SSP	$	19,077	$	16,594
SSP+		15,589		3,653
PK compounds		717		—
Excess sulfuric acid		5,496		5,405
Revenues	**$**	**40,879**	**$**	**25,652**

For the years ended December 31, 2019 and 2018, Itafos Arraias recorded approximately 30% and 25%, respectively, of its SSP revenues from one customer.

On July 3, 2018, Itafos Arraias achieved commercial production by meeting the capacity utilization metric. 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.

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, 2019 and 2018, the Company had selling, general and administrative expenses as follows:

(in thousands of US Dollars)		*For the years ended December 31,* 2019		2018
Payroll expenses	$	11,581	$	7,200
Professional fees		6,724		9,029
Share-based payments expense		204		21
Insurance expenses		1,415		812
Office and general		6,673		4,126
Director fees		540		600
Selling, general and administrative expenses	**$**	**27,137**	**$**	**21,788**

21. FOREIGN EXCHANGE GAIN (LOSS)

For the years ended December 31, 2019 and 2018, the Company recognized a foreign exchange loss of $2,473 and $665, respectively. These amounts are primarily comprised of the gain or loss resulting from remeasuring monetary items denominated in Brazilian Reals and Canadian Dollars.

22. FINANCE EXPENSE (INCOME)

For the years ended December 31, 2019 and 2018, the Company had finance expense (income) as follows:

	For the years ended December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Interest expense	$ 26,641	$ 22,225
Interest capitalized in Property, plant and equipment	(2,097)	(5,245)
Interest on lease liabilities	987	—
Loss (gain) on debt modification	3,296	(908)
Interest income	(168)	(206)
Finance expense, net	**$ 28,659**	**$ 15,866**

23. INCOME TAXES

For the years ended December 31, 2019 and 2018, the Company had income tax (recovery) expense as follows:

	For the years ended December 31,	
(in thousands of US Dollars except for percentages)	**2019**	**2018**
Loss before income taxes	$ (148,241)	$ (105,158)
Cayman Islands statutory tax rate (%)	0.0	0.0
Expected income tax expense	**$ —**	**$ —**
Difference in foreign tax rates	(35,680)	(37,114)
Non-deductible/taxable items	(9,045)	(17,116)
Tax benefit not recognized	38,263	61,469
Withholding taxes	994	1,090
True-up of tax provisions in respect of prior years	(60)	—
Interest and penalties	1,458	—
Income tax expense (recovery)	**(4,070)**	**8,329**
Actual effective tax rate (%)	**2.7**	**(7.9)**

For the years ended December 31, 2019 and 2018, the Company had total current and deferred income tax expense (recovery) as follows:

	For the years ended December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Current income tax expense	$ 2,618	$ 10,109
Deferred income tax recovery	(6,688)	(1,780)
Total current and deferred income tax expense (recovery)	**$ (4,070)**	**$ 8,329**

The Company calculates an estimated average annual effective tax rate for each of the jurisdictions in which it operates. For the years December 31, 2019 and 2018, the Company had effective tax rates of 2.7% and (7.9)%, respectively.

DEFERRED TAX ASSETS

As at December 31, 2019 and 2018, 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, 2017	**$ —**	**$ —**
Charge to profit or loss	1,157	1,157
Balance as at December 31, 2018	**$ 1,157**	**$ 1,157**
Credit to profit or loss	(299)	(299)
Balance as at December 31, 2019	**$ 858**	**$ 858**

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

As at December 31, 2019, the Company had Brazilian tax losses of approximately $658,319 that may be carried forward indefinitely to partially 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 subject to change. Accordingly, the Company's ability to realize deferred income tax assets could significantly affect net income or cash flows in future periods.

DEFERRED TAX LIABILITIES

As at December 31, 2019 and 2018, the Company had changes in net 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, 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**
Charge (credit) to profit or loss	(2,994)	(930)	(4,057)	(7,981)
Balance as at December 31, 2019	**$ 12,715**	**$ 1,126**	**$ (6,861)**	**$ 6,980**

24. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be involved in legal proceedings that arise in the ordinary course of its business. The amount of any ultimate liability (including interest and penalties) with respect to these actions is not expected to, in the opinion of management, materially affect the Company's financial position, results of operations or cash flows. Based on the Company's knowledge and assessment of events as at December 31, 2019, 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, 2019, the Company has currently accrued $2,382 in relation to labor and other claims that have been made (see Note 14). The ultimate outcome of these claims is uncertain at this time and management is defending its position in each case.

25. SEGMENT REPORTING

For the year ended December 31, 2019, 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	**$ 298,551**	**$ 40,879**	**$ —**	**$ —**	**$ 339,430**
Cost of goods sold	297,698	64,550	—	—	362,248
Impairments	—	47,544	17,550	—	65,094
	$ 853	**$ (71,215)**	**$ (17,550)**	**$ —**	**$ (87,912)**
Operating expenses					
Selling, general and administrative expenses	4,353	6,575	4,550	11,659	27,137
Operating loss	**$ (3,500)**	**$ (77,790)**	**$ (22,100)**	**$ (11,659)**	**$ (115,049)**
Foreign exchange loss	(57)	(2,092)	(305)	(19)	(2,473)
Other Income (expense), net	(55)	(2,098)	(3)	96	(2,060)
Finance income	16	—	2	150	168
Finance expense	(221)	(156)	(41)	(28,409)	(28,827)
Loss before income taxes	**$ (3,817)**	**$ (82,136)**	**$ (22,447)**	**$ (39,841)**	**$ (148,241)**
Current and deferred income tax expense (recovery)	(5,541)	—	—	1,471	(4,070)
Net income (loss)	**$ 1,724**	**$ (82,136)**	**$ (22,447)**	**$ (41,312)**	**$ (144,171)**

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	**$ 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)**
Operating 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 investment 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)**

As at December 31, 2019, 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	$ 240,353	$ 162,846	$ 83,487	$ 24,078	**$ 510,764**
Total liabilities	$ 124,651	$ 31,946	$ 5,404	$ 206,504	**$ 368,505**

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, 2019 and 2018, the Company had property, plant and equipment and mineral properties by region as follows:

(in thousands of US Dollars)	2019	2018
Brazil (South America)	$ 141,418	$ 189,246
US (North America)	127,865	110,242
Guinea-Bissau (Africa)	63,324	70,216
Property, plant and equipment, net and mineral properties	**$ 332,607**	**$ 369,704**

26. NET CHANGE IN NON-CASH WORKING CAPITAL

For the years ended December 31, 2019 and 2018, the Company had net change in non-cash working capital as follows:

	For the years ended December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Accounts receivable	$ 12,461	$ (35,979)
Inventories, net	30,406	(5,027)
Other assets and prepaids	4,729	(6,724)
Accounts payable and accrued liabilities	2,490	34,357
Other liabilities payable through MAP offtake agreement	(12,618)	(36,259)
Other liabilities and provisions	2,203	727
Net change in non-cash working capital	**$ 39,671**	**$ (48,905)**

27. RELATED PARTY TRANSACTIONS

The Company's related party transactions include key management compensation and debt and debentures from CLF, its principal shareholder (see Note 2).

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, 2019 and 2018, the Company had key management compensation as follows:

	For the years ended December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Management compensation	$ 1,203	$ 1,005
Director fees	540	600
Share-based payments	96	—
Termination payments	546	—
Other benefits	29	37
Key management compensation	**$ 2,414**	**$ 1,642**

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. As at December 31, 2019, and 2018, CLF's participation in the Facility was $29,274 and $32,471, respectively. 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 Notes 15 and 17). On January 31, 2020, CLF received 812,506 of the Shares issued in connection with the A&R Credit Agreement (see Notes 15 and 29).

On September 11, 2019, the Company received $15,000 of financing proceeds from the CLF Promissory Note. On December 31, 2019, the Company amendment and restated the CLF Promissory Note to increase the availability by $21,000 and to remove the convertibility feature. Concurrently with the amendment and restatement, the Company received an additional $5,000 of financing proceeds from CLF in the form of non-convertible unsecured subordinated debt. As at December 31, 2019, the outstanding principal balance of the CLF Promissory Note was $20,689 (see Note 15).

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 outstanding promissory notes were extinguished (see Note 15).

CLF DEBENTURES

CLF is a holder of the Company's Canadian debentures. As at December 31, 2019, and 2018, the outstanding principal balance of the Canadian debentures issued to CLF was $456 and $496, respectively.

28. 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, 2019 and 2018, 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, 2019 and 2018, the Company's long-term debt was stated at an amortized cost of $210,866 and $163,788, respectively and had a fair value of $194,140 and $163,065, 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, but not limited to, market risk, credit risk and liquidity risk. Such risk factors, as well as the Company's capital management objectives, are described below.

Market Risk

<u>Currency Risk</u>

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 Itafos Arraias' sales and expenses are transacted in Brazilian Reals and a portion of Itafos Conda's sales and expenses are transacted in Canadian Dollars. These sales and expenses are subject to fluctuations in the exchange rates between the Brazilian Real and the Canadian Dollar against the US Dollar.

For the years ended December 31, 2019 and 2018, the Company had foreign exchange loss and cumulative translation adjustment as follows:

	For the years ended December 31,	
(in thousands of US Dollars)	**2019**	**2018**
Brazilian Real weakening against US Dollar (%)	3.6	14.7
Canadian Dollar weakening (strengthening) against US Dollar (%)	(5.0)	8.0
Foreign exchange loss	**$ (2,473)**	**$ (665)**
Cumulative translation adjustment	**$ 1,005**	**$ (4,800)**

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, 2019 and 2018, the Company's long-term debt was primarily comprised of the Facility and promissory notes from CLF, which considers fixed interest rates (see Note 15).

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.

As at December 31, 2019 and 2018, the Company had accounts receivable of $20,572 and $35,907, respectively. As at December 31, 2019 and 2018, Itafos Conda had approximately 77% and 86%, respectively, of total accounts receivable from four customers, respectively. As at December 31, 2019 and 2018, Itafos Arraias had approximately 94% and 68%, respectively, of total accounts receivable from three customers.

Management reviews the aging of accounts receivables and, where necessary, reduces the carrying value to provide for possible losses. As at December 31, 2019 and 2018, management did not anticipate material credit losses. Accordingly, the Company did not record any credit loss provisions.

Liquidity Risk

To 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, the Company intends to raise additional capital in 2020 and beyond through a combination of equity and debt financings.

On September 11, 2019, the Company raised $15,000 capital in the form of the CLF Promissory Note. On December 31, 2019, the Company completed a $36,000 capital raise with CLF through a non-brokered private placement financing of $15,000 and an amendment to increase the availability of a previously issued subordinated promissory note by $21,000. As at December 31, 2019, the Company had borrowed $5,000 of the available $21,000, with the balance of $16,000 remaining available to be drawn by the Company at its sole discretion through December 31, 2020 (see Note 15).

The amount of the capital raise completed on December 31, 2019 was based on the Company's business plan in November 2019. Despite significant and continued downward pressure on global fertilizer prices since November 2019, the amount of the capital raise completed on December 31, 2019 is currently projected to be sufficient through December 31, 2020. However, any further reductions to global fertilizer price trends, or other factors that could reduce cash flow from operations, including, but not limited to, potential operational disruptions resulting from coronavirus, could result in a cash shortfall and/or financial covenant default, unless otherwise remedied (see Note 4).

Also on December 31, 2019, the Company executed the A&R Credit Agreement, replacing the existing credit and guaranty agreement dated May 18, 2018, including prior amendments, and further amended certain terms to provide the Company with additional financial flexibility including deferring the commencement of testing of financial covenants to September 30, 2020 and reducing cash interest payable in 2020 (see Note 4).

On October 31, 2019, Itafos Conda closed the Revolving Facility. As at December 31, 2019, Itafos Conda had drawn $9,415 under the Revolving Facility (see Note 15). Subsequent to December 31, 2019, Itafos Conda drew an additional $585 under the initial tranche of the Revolving Facility. The additional tranche of $10,000 remains available to be drawn by Itafos Conda subject to certain terms and conditions (see Note 29).

While the Company has a demonstrated track record of raising capital and amending its financial covenants, there can be no assurance of the Company's ability to do so going forward. 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.

The financial covenants considered in the A&R Credit Agreement include requirements for the Company to maintain a consolidated secured leverage ratio and achieve a minimum level of EBITDA at Itafos Conda. Such financial covenants will be measured on a quarterly basis beginning on September 30, 2020. The Company is currently projecting compliance with such financial covenants. For September 30, 2020, the Company is projecting EBITDA headroom of approximately $3,000 and $8,000 for its consolidated secured leverage ratio and minimum level of EBITDA at Itafos Conda, respectively. For December 31, 2020, the Company is projecting EBITDA headroom of approximately $300 and $1,000 for its consolidated secured leverage ratio and minimum level of EBITDA at Itafos Conda, respectively. However, any further reductions to global fertilizer price trends, or other factors that could reduce cash flow from operations, including, but not limited to, potential operational disruptions resulting from coronavirus, could result in a financial covenant default, unless otherwise remedied. The Company is actively working to reduce its exposure to potential a potential reduction in projected cash flow from operations through aggressive corporate wide cost savings and deferral of spending initiatives.

The Company is not currently projecting any impact on its operations or financial outlook as a result of coronavirus. However, the Company is closely monitoring risks to its operations including factors that could impact production or demand for its products as such factors could have a material impact on the Company's cash flow from operations, which could result in a in a cash shortfall and/or financial covenant default, unless otherwise remedied (see Note 29).

Capital Management

The Company's objectives when managing capital are to maintain a flexible capital structure and to invest capital at attractive rates of return. The Company actively manages its capital structure and makes adjustments as necessary in light of general economic conditions, the risk characteristics of its businesses and projects and working capital requirements.

29. SUBSEQUENT EVENTS

THE A&R CREDIT AGREEMENT

On January 31, 2020, the Company issued the Shares to its lenders pursuant to the A&R Credit Agreement. Of the Shares, CLF received 812,506 shares of the Company based on its pro-rata debt holding under the A&R Credit Agreement (see Notes 15 and 28).

RSUs

Subsequent to December 31, 2019, the Company issued an aggregate of 1,900,412 shares and cash settled 100,928 RSUs for $39 under the RSU Plan. In addition, the Company awarded 2,703,259 RSUs to directors and management under the RSU plan.

REVOLVING FACILITY

Subsequent to December 31, 2019, Itafos Conda drew an additional $585 under the initial tranche of the Revolving Facility. The additional tranche of $10,000 remains available to be drawn by Itafos Conda subject to certain terms and conditions (see Notes 15 and 28).

CORONAVIRUS

Subsequent to December 31, 2019, the Company is closely monitoring risks to its operations as a result of coronavirus including factors that could impact production or demand for its products as such factors could have a material impact on the Company's cash flow from operations, which could result in a in a cash shortfall and/or financial covenant default, unless otherwise remedied. Despite near-term uncertainties, the Company is not currently projecting any impact on its operations or financial outlook as a result of coronavirus (see **Liquidity Risk** in Note 28). In response to coronavirus, the Company has implemented working practices at its businesses and projects to address potential impacts to its operations, employees and contractors and will take further measures in the future, if required.

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