ITAFOS

**Consolidated Financial Statements**
**for the three and nine months ended September 30, 2021 and 2020**
**(Unaudited)**

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## CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
## AS AT SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ | 24,120 | $ | 9,539 |
| Accounts receivable | | 39,919 | | 21,949 |
| Inventories, net *(Note 5)* | | 108,150 | | 93,435 |
| Other current assets *(Note 8)* | | 6,907 | | 9,568 |
| **Total current assets** | **$** | **179,096** | **$** | **134,491** |
| Long-term inventories, net *(Note 5)* | | 1,521 | | 1,551 |
| Property, plant and equipment, net *(Note 6)* | | 220,660 | | 205,069 |
| Mineral properties, net *(Note 7)* | | 123,404 | | 127,930 |
| Deferred tax assets, net *(Note 18)* | | 2,071 | | 1,204 |
| Other long-term assets *(Note 8)* | | 3,443 | | 7,059 |
| **Total non-current assets** | **$** | **351,099** | **$** | **342,813** |
| **Total assets** | **$** | **530,195** | **$** | **477,304** |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities *(Note 9)* | $ | 63,693 | $ | 50,986 |
| Provisions *(Note 10)* | | 2,299 | | 760 |
| Current debt *(Note 11)* | | 33,758 | | 2,437 |
| Contract liabilities | | 1,232 | | 21 |
| Other current liabilities *(Note 12)* | | 2,593 | | 2,812 |
| **Total current liabilities** | **$** | **103,575** | **$** | **57,016** |
| Long-term debt *(Note 11)* | | 216,378 | | 237,756 |
| Long-term provisions *(Note 10)* | | 81,867 | | 82,743 |
| Other long-term liabilities *(Note 12)* | | 18,050 | | 17,366 |
| **Total long-term liabilities** | **$** | **316,295** | **$** | **337,865** |
| **Total liabilities** | **$** | **419,870** | **$** | **394,881** |
| **Equity** | | | | |
| Share capital *(Note 13)* | | 532,390 | | 531,647 |
| Contributed surplus | | 246,626 | | 246,626 |
| Cumulative translation adjustment reserve | | 4,660 | | 4,660 |
| Deficit | | (674,516) | | (701,264) |
| **Shareholders' equity *(Notes 2 and 13)*** | **$** | **109,160** | **$** | **81,669** |
| Non-controlling interest *(Notes 2 and 13)* | | 1,165 | | 754 |
| **Total equity** | **$** | **110,325** | **$** | **82,423** |
| **Total liabilities and equity** | **$** | **530,195** | **$** | **477,304** |

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

Approved by the Company's Board of Directors

Signed "Anthony Cina"
ANTHONY CINA
Chairman

Signed "G. David Delaney"
G. DAVID DELANEY
Director

ITAFOS

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED IN SEPTEMBER 30, 2021 AND 2020

| *(unaudited in thousands of US Dollars except as otherwise noted)* | *For the three months ended September 30,* 2021 | 2020 | *For the nine months ended September 30,* 2021 | 2020 |
|---|---|---|---|---|
| **Revenues *(Note 14)*** | **$ 103,005** | **$ 47,638** | **$ 296,463** | **$ 185,110** |
| Cost of goods sold | 63,178 | 49,339 | 205,501 | 191,095 |
| Write-off of mineral properties | — | — | — | 8,449 |
| **Gross margin** | **$ 39,827** | **$ (1,701)** | **$ 90,962** | **$ (14,434)** |
| Selling, general and administrative expenses *(Note 15)* | 6,145 | 4,336 | 19,415 | 14,422 |
| **Operating income (loss)** | **$ 33,682** | **$ (6,037)** | **$ 71,547** | **$ (28,856)** |
| Foreign exchange gain (loss) | (926) | 279 | (868) | (5,352) |
| Other income (expense), net | 214 | (393) | 358 | 894 |
| Loss on asset disposal | (145) | (2) | (97) | (637) |
| Finance expense, net *(Note 17)* | (11,999) | (7,400) | (28,955) | (20,429) |
| **Income (loss) before income taxes** | **$ 20,826** | **$ (13,553)** | **$ 41,985** | **$ (54,380)** |
| Current and deferred income tax expense (recovery) *(Note 18)* | 5,150 | 235 | 14,826 | (1,489) |
| **Net income (loss) and comprehensive income (loss)** | **$ 15,676** | **$ (13,788)** | **$ 27,159** | **$ (52,891)** |
| Net income and comprehensive income attributable to non-controlling interest *(Notes 2 and 13)* | 411 | — | 411 | — |
| **Net income (loss) and comprehensive income (loss) attributable to shareholders of the Company** | **$ 15,265** | **$ (13,788)** | **$ 26,748** | **$ (52,891)** |
| | | | | |
| **Basic earnings (loss) per share *(Note 13)*** | **$ 0.08** | **$ (0.07)** | **$ 0.15** | **$ (0.29)** |
| **Fully diluted earnings (loss) per share *(Note 13)*** | **$ 0.08** | **$ (0.07)** | **$ 0.14** | **$ (0.29)** |

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

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

| *(unaudited in thousands of US Dollars except as otherwise noted)* | **Number of shares** | | **Amount** | | **Contributed surplus** | | **Cumulative translation adjustment reserve** | | **Deficit** | | **Shareholders' equity**[1] | | **Non-controlling interest** | | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at December 31, 2020** | **185,462,824** | **$** | **531,647** | **$** | **246,626** | **$** | **4,660** | **$** | **(701,264)** | **$** | **81,669** | **$** | **754** | **$** | **82,423** |
| Net Income and comprehensive income | — | | — | | — | | — | | 26,748 | | 26,748 | | 411 | | 27,159 |
| Issuance of shares under RSU Plan *(Note 13)* | 1,352,018 | | 743 | | — | | — | | — | | 743 | | — | | 743 |
| **Balance as at September 30, 2021** | **186,814,842** | **$** | **532,390** | **$** | **246,626** | **$** | **4,660** | **$** | **(674,516)** | **$** | **109,160** | **$** | **1,165** | **$** | **110,325** |
| | | | | | | | | | | | | | | | |
| **Balance as at December 31, 2019** | **178,551,065** | **$** | **529,177** | **$** | **246,626** | **$** | **4,660** | **$** | **(638,204)** | **$** | **142,259** | **$** | **—** | **$** | **142,259** |
| Net loss and comprehensive loss | — | | — | | — | | — | | (52,891) | | (52,891) | | — | | (52,891) |
| Issuance of shares under RSU Plan *(Note 13)* | 1,911,759 | | 732 | | — | | — | | — | | 732 | | — | | 732 |
| Issuance of shares to lenders of the Credit Facility *(Note 13)* | 5,000,000 | | 1,738 | | — | | — | | — | | 1,738 | | — | | 1,738 |
| **Balance as at September 30, 2020** | **185,462,824** | **$** | **531,647** | **$** | **246,626** | **$** | **4,660** | **$** | **(691,095)** | **$** | **91,838** | **$** | **—** | **$** | **91,838** |

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

[1] See Note 2

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

| | For the nine months ended September 30, | |
|---|---|---|
| *(unaudited in thousands of US Dollars)* | **2021** | **2020** |
| **Operating activities** | | |
| Net income (loss) | $ 27,159 | $ (52,891) |
| Adjustments for the following items: | | |
| Depreciation and depletion | 18,787 | 30,403 |
| Cash settlement of share-based payments *(Note 12)* | (36) | (45) |
| Share-based payment expense *(Note 12)* | 3,223 | 605 |
| Current and deferred income tax expense (recovery) *(Note 18)* | 14,826 | (1,489) |
| Income tax payments | (6,031) | (10,903) |
| Environmental and asset retirement obligations payments *(Note 10)* | (2,746) | — |
| Unrealized foreign exchange loss | 1,028 | 4,183 |
| Write-off of mineral properties | — | 8,449 |
| Finance expense, net *(Note 17)* | 28,955 | 20,429 |
| Net change in non-cash working capital *(Note 21)* | (22,999) | (7,555) |
| **Cash flows from (used by) operating activities** | **$ 62,166** | **$ (8,814)** |
| | | |
| **Investing activities** | | |
| Addition of property, plant and equipment and mineral properties *(Notes 6 and 7)* | $ (27,721) | $ (12,051) |
| **Cash flows used by investing activities** | **$ (27,721)** | **$ (12,051)** |
| | | |
| **Financing activities** | | |
| Proceeds from debt *(Note 11)* | $ 196,800 | $ 21,185 |
| Repayment of debt *(Note 11)* | (197,213) | (10,731) |
| Repayment of principal portion of lease liabilities *(Note 12)* | (3,129) | (1,624) |
| Payment of interest expense *(Note 11)* | (13,584) | (6,863) |
| Payment of financing related costs | (2,732) | — |
| **Cash flows from (used by) financing activities** | **$ (19,858)** | **$ 1,967** |
| | | |
| Effect of foreign exchange of non-US Dollar denominated cash | $ (6) | $ (31) |
| Increase (decrease) in cash | 14,581 | (18,929) |
| Cash, beginning of period | 9,539 | 29,109 |
| **Cash, end of period** | **$ 24,120** | **$ 10,180** |

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS
## FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

The amounts contained in these Interim Financial Statements are in thousands of US Dollars except for number shares, per share amounts, number of restricted share units (“RSUs”) and as otherwise noted.

### 1. GENERAL COMPANY INFORMATION

Itafos Inc. (the “Company”) is a phosphate and specialty fertilizer company. The Company’s businesses and projects are as follows:

- Conda – a vertically integrated phosphate fertilizer business with capacity to produce monoammonium phosphate (“MAP”), MAP with micronutrients (“MAP+”), superphosphoric acid (“SPA”), merchant grade phosphoric acid (“MGA”) and ammonium polyphosphate (“APP”) located in Idaho, US;
- Arraias – a vertically integrated phosphate fertilizer business with capacity to produce single superphosphate (“SSP”), SSP with micronutrients (“SSP+”) and excess sulfuric acid (220kt per year gross sulfuric acid production capacity) located in Tocantins, Brazil;
- Farim – a high-grade phosphate mine project located in Farim, Guinea-Bissau;
- Santana – a vertically integrated high-grade phosphate mine and fertilizer plant project located in Pará, Brazil;
- Araxá – a vertically integrated rare earth elements and niobium mine and extraction plant project located in Minas Gerais, Brazil;
- Paris Hills – a phosphate mine project located in Idaho, US (wind down in process); and
- Mantaro – a phosphate mine project located in Junin, Peru (wind down in process).

As at June 30, 2021, the Company was a Cayman Islands corporation. On July 1, 2021, the Company completed a redomiciliation from the Cayman Islands to the US. The redomiciliation was implemented as a continuation of the Company’s jurisdiction of incorporation from the Cayman Islands to the State of Delaware. In connection with the redomiciliation, the Company changed its name from Itafos to Itafos Inc. The Company is headquartered in Houston, TX.

The Company’s shares trade on the TSX Venture Exchange under the ticker symbol “IFOS”. The Company’s principal shareholder is CL Fertilizers Holding LLC (“CLF”). CLF is an affiliate of Castlelake, L.P., a global private investment firm. CLF is a related party (see Note 22).

### 2. BASIS OF PREPARATION AND PRESENTATION

**STATEMENT OF COMPLIANCE**

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) are based on International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements. The Interim Financial Statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting. These Interim Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2020 (the “Audited Financial Statements”), which include information necessary or useful to understand the Company’s business and financial statement presentation.

These Interim Financial Statements were authorized for issuance by the Company’s Board of Directors on November 11, 2021.

## GOING CONCERN BASIS

These Interim Financial Statements have been prepared and presented under the historical cost convention and on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

## BASIS OF PRESENTATION

As at December 31, 2020, the Company reclassified equity between shareholders' equity and non-controlling interest ("NCI") as at December 31, 2019 in the Company's condensed consolidated statements of changes in equity to conform with the basis used to calculate NCI in the current period (see NCI in this Note 2 below).

## NCI

As at September 30, 2021 and December 31, 2020, the Company had NCI as follows:

| | Company interests | NCI |
|---|---|---|
| Itafos Arraias Mineracao e Fertilizantes S.A. | 98.4% | 1.6% |
| Itafos Santana Mineracao e Fertilizantes S.A. | 99.4% | 0.6% |

As at December 31, 2020, the Company reclassified equity between shareholders' equity and NCI as at December 31, 2019 in the Company's condensed consolidated statements of changes in equity to conform with the basis used to calculate NCI in the current period as follows:

| | As at December 31, 2019 | | |
|---|---|---|---|
| *(in thousands of US Dollars)* | **Original** | **Reclassification** | **Current** |
| Shareholders' equity | $ 133,197 | $ 9,062 | $ 142,259 |
| Non-controlling interest | 9,062 | (9,062) | — |

## CURRENCIES

The Company's presentation and functional currency is US Dollars ("$") (see Note 22).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, the accounting policies adopted in the preparation of these Interim Financial Statements are consistent with those followed in the preparation of the Company's Audited Financial Statements, where applicable.

## NEW ACCOUNTING STANDARDS EFFECTIVE IN 2021

The IASB issued certain new accounting standards or amendments that are mandatory for accounting periods after December 31, 2020, including Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The Company concluded that the effect of such new accounting standards or amendments did not have a material impact and therefore did not record any adjustments to these Interim Financial Statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Except as noted below, the critical accounting estimates and judgments included in the Company's Audited Financial Statements remain applicable for these Interim Financial Statements.

### CRITICAL JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

**Impact of the Coronavirus Disease 2019 ("COVID-19") Pandemic**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The Company is closely monitoring potential risks to its operations as a result of the COVID-19 pandemic, including factors that could impact production or demand for its products. Despite near-term uncertainties, the Company is not currently projecting any material impact on its operations or financial outlook as a result of the COVID-19 pandemic (see Note 23). In response to the COVID-19 pandemic, the Company has implemented working practices at its businesses and projects to address potential impacts to its employees, contractors and operations and will take further measures in the future, if required.

**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.

### KEY SOURCES OF ESTIMATION UNCERTAINTY IN THE APPLICATION OF ACCOUNTING POLICIES

**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 taxes in numerous jurisdictions. The Company's income tax expense and deferred tax assets and liabilities represent management's best estimates of current and future taxes to be paid. Significant judgments and estimates are required in the calculation of the Company's income tax expense, including applying tax laws and regulations, calculating tax deductions such as tax depletion, 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. The actual future income tax expense and deferred tax assets and liabilities may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in tax laws and/or rates in the future.

## 5. INVENTORIES

As at September 30, 2021 and December 31, 2020, the Company had inventories as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Finished goods | $ | 16,824 | $ | 13,341 |
| Work in process | | 2,184 | | 2,480 |
| Raw materials | | 75,881 | | 61,879 |
| Spare parts | | 14,782 | | 17,286 |
| **Inventories, net** | **$** | **109,671** | **$** | **94,986** |
| Less: current portion | | (108,150) | | (93,435) |
| **Long-term inventories, net** | **$** | **1,521** | **$** | **1,551** |

As at September 30, 2021 and December 31, 2020, the Company had non-current inventories related to raw materials at Arraias.

## 6. PROPERTY, PLANT AND EQUIPMENT

As at September 30, 2021 and December 31, 2020, the Company had property, plant and equipment as follows:

| *(unaudited 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, 2020** | **$** | **24,699** | **$** | **133,698** | **$** | **160,781** | **$** | **45,319** | **$** | **364,497** |
| Additions | | 1,425 | | 12,683 | | 2,974 | | 10,508 | | 27,590 |
| Disposals/transfers | | — | | — | | — | | — | | — |
| **Balance as at September 30, 2021** | **$** | **26,124** | **$** | **146,381** | **$** | **163,755** | **$** | **55,827** | **$** | **392,087** |
| | | | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | | | |
| **Balance as at December 31, 2020** | **$** | **—** | **$** | **34,023** | **$** | **125,405** | **$** | **—** | **$** | **159,428** |
| Additions | | — | | 2,328 | | 9,671 | | — | | 11,999 |
| Disposals/transfers | | — | | — | | — | | — | | — |
| **Balance as at September 30, 2021** | **$** | **—** | **$** | **36,351** | **$** | **135,076** | **$** | **—** | **$** | **171,427** |
| | | | | | | | | | | |
| **Property, plant and equipment, net** | | | | | | | | | | |
| **Balance as at December 31, 2020** | **$** | **24,699** | **$** | **99,675** | **$** | **35,376** | **$** | **45,319** | **$** | **205,069** |
| **Balance as at September 30, 2021** | **$** | **26,124** | **$** | **110,030** | **$** | **28,679** | **$** | **55,827** | **$** | **220,660** |

As at September 30, 2021 and December 31, 2020, the balances of property, plant and equipment include capitalized interest of $12,292.

## IFRS 16 – RIGHT-OF-USE ASSETS

As at September 30, 2021 and December 31, 2020, the Company had right-of-use assets, recorded as a component of property, plant and equipment, as follows:

| *(unaudited 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** | | | | | | |
| **Balance as at December 31, 2020** | **$** | **511** | **$** | **21,644** | **$** | **22,155** |
| Additions | | 367 | | — | | 367 |
| Disposals/expirations | | — | | — | | — |
| **Balance as at September 30, 2021** | **$** | **878** | **$** | **21,644** | **$** | **22,522** |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| **Balance as at December 31, 2020** | | 167 | | 7,433 | | 7,600 |
| Additions | | 108 | | 2,752 | | 2,860 |
| Disposals/expirations | | — | | — | | — |
| **Balance as at September 30, 2021** | **$** | **275** | **$** | **10,185** | **$** | **10,460** |
| | | | | | | |
| **Right-of-use assets, net** | | | | | | |
| **Balance as at December 31, 2020** | **$** | **344** | **$** | **14,211** | **$** | **14,555** |
| **Balance as at September 30, 2021** | **$** | **603** | **$** | **11,459** | **$** | **12,062** |

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 three and nine months ended September 30, 2021, the Company had $5,274 and $13,203 of costs related to variable lease payments that are not dependent on an index or rate, respectively.

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 three months ended September 30, 2021 and 2020, the Company's costs related to short-term leases of low-value assets were not material.

## 7. MINERAL PROPERTIES

As at September 30, 2021 and December 31, 2020, the Company had mineral properties as follows:

| *(unaudited in thousands of US Dollars)* | | Development costs | | Exploration and evaluation costs | | Accumulated depletion | | Total mineral properties |
|---|---|---|---|---|---|---|---|---|
| **Balance as at December 31, 2020** | **$** | **88,237** | **$** | **71,442** | **$** | **(31,749)** | **$** | **127,930** |
| Additions | | 3,114 | | 594 | | — | | 3,708 |
| Depletion | | — | | — | | (8,234) | | (8,234) |
| **Balance as at September 30, 2021** | **$** | **91,351** | **$** | **72,036** | **$** | **(39,983)** | **$** | **123,404** |

## 8. OTHER ASSETS

As at September 30, 2021 and December 31, 2020, the Company had other assets as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Tax credits | $ | 6,874 | $ | 10,525 |
| Prepaid expenses | | 2,011 | | 4,346 |
| Deposits | | 1,030 | | 1,334 |
| Advances to suppliers | | 231 | | 295 |
| Other | | 204 | | 127 |
| **Other assets** | **$** | **10,350** | **$** | **16,627** |
| Less: current portion | | (6,907) | | (9,568) |
| **Other non-current assets** | **$** | **3,443** | **$** | **7,059** |

As at September 30, 2021 and December 31, 2020, the Company had other current assets as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Tax credits | $ | 4,164 | $ | 4,295 |
| Prepaid expenses | | 2,011 | | 4,346 |
| Advances to suppliers | | 231 | | 295 |
| Deposits | | 292 | | 500 |
| Other | | 209 | | 132 |
| **Other current assets** | **$** | **6,907** | **$** | **9,568** |

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at September 30, 2021 and December 31, 2020, the Company had accounts payable and accrued liabilities as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Trade payables | $ | 21,939 | $ | 23,071 |
| Taxes payable | | 15,507 | | 8,492 |
| Accrued liabilities and other | | 9,733 | | 8,020 |
| Payroll and related taxes payable | | 8,691 | | 6,226 |
| Rebates | | 4,124 | | 2,565 |
| Other payables | | 3,699 | | 2,612 |
| **Accounts payable and accrued liabilities** | **$** | **63,693** | **$** | **50,986** |

## 10. PROVISIONS

As at September 30, 2021 and December 31, 2020, the Company had provisions as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Environmental and asset retirement obligations | $ | 83,902 | $ | 83,194 |
| Legal contingencies | | 264 | | 309 |
| **Provisions** | **$** | **84,166** | **$** | **83,503** |
| Less: current portion | | (2,299) | | (760) |
| **Long-term provisions** | **$** | **81,867** | **$** | **82,743** |

For the period December 31, 2020 through September 30, 2021, the Company had changes in environmental and asset retirement obligations as follows:

| *(unaudited in thousands of US Dollars)* | | Environmental and asset retirement obligations |
|---|---|---|
| **Balance as at December 31, 2020** | **$** | **83,194** |
| Additions | | 2,916 |
| Payments | | (2,746) |
| Changes | | (325) |
| Accretion | | 863 |
| **Balance as at September 30, 2021** | **$** | **83,902** |

## 11. DEBT

As at September 30, 2021 and December 31, 2020, the Company had debt as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Term Loan | $ | 206,559 | $ | — |
| Deferred financing costs related to the Term Loan | | (10,508) | | — |
| Credit Facility | | — | | 194,070 |
| Deferred financing costs related to the Credit Facility | | — | | (3,272) |
| Promissory Note | | 41,706 | | 35,820 |
| Conda ABL | | 10,000 | | 10,000 |
| Conda equipment financings | | 1,039 | | 1,549 |
| Brazilian debentures | | 912 | | 1,024 |
| Canadian debentures issued to CLF | | 428 | | 399 |
| Canadian debentures issued to Banco Modal S.A. | | — | | 603 |
| **Debt** | **$** | **250,136** | **$** | **240,193** |
| less: current portion | | (33,758) | | (2,437) |
| **Long-term debt** | **$** | **216,378** | **$** | **237,756** |

On August 25, 2021, the Company closed a three-year $205,000 secured term loan (the “Term Loan”) with maturity on August 25, 2024. The proceeds of the Term Loan were used to repay the Company’s secured term credit facility (the “Credit Facility”) and to pay related transaction costs and fees. The Term Loan bears interest at 8.25% per annum plus the London Interbank Offered Rate (“LIBOR”), subject to a floor of 1.00%, with interest payments payable in cash on a quarterly basis. The Term Loan amortizes at 15% per annum with principal payments payable on a quarterly basis and a one-time principal payment on or before 15 months after the closing date in an amount sufficient to reduce the outstanding principal balance to $155,000 or less. The Term Loan includes financial covenants that require the Company to comply with certain ratios and thresholds (see Note 23). In addition, the Term Loan considers certain compliance requirements including, but not limited to, a requirement to maintain a minimum liquidity amount of $15,000 throughout the term of the Term Loan.

The Credit Facility bore interest at 12% per annum (9% payable in cash and 3% payable in-kind) with a bullet repayment at maturity on June 6, 2022. On August 25, 2021, the Company repaid the Credit Facility in full. The changes in the Company’s debt as a result of the repayment of the Credit Facility resulted in a loss on debt extinguishment of $2,012, which was recorded as finance expense (see Note 17).

On August 25, 2021, in connection with the closing of the Term Loan, the Company completed an amendment to the Company's unsecured and subordinated promissory note (the "Promissory Note") to reduce the commitment amount from $36,000 to $30,600, which cancelled the previously remaining availability of $5,400, and extend the term from payable on demand no earlier than six months after the date on which the Credit Facility is paid in full to payable on demand after the later of (i) August 25, 2024 or (ii) six months after the date on which the Term Loan and the Conda's secured working capital facility (the "Conda ABL") are paid in full and commitments under the Conda ABL are terminated; however, if the obligations under the Term Loan and the Conda ABL are accelerated, then the Promissory Note would become payable on demand. Additionally, the amendment to the Promissory Note includes an interest rate per annum increased from 15% to 18% starting on August 25, 2022 if the Company has not repaid at least $20,000 under the Promissory Note by such date, an amendment fee of 4% of the principal amount payable in kind at closing, and an exit fee of 4% payable in cash upon any payment of principal. The changes in the Company's debt as a result of the amendment to the Promissory Note were recorded as a debt extinguishment. The Company discounted the cash flows of the Promissory Note considering the amendment at the original effective interest rate, resulting in a loss on debt extinguishment of the Promissory Note of $1,546, which was recorded as finance expense (see Notes 17 and 22).

On August 25, 2021, the Company completed an amendment to the Conda ABL to increase the commitment amount from $20,000 to $40,000 and extend the term from August 7, 2023 to the earlier of August 25, 2024 and 91 days before the maturity of the Term Loan (if the Term Loan is outstanding on such date). The Conda ABL bears interest at a variable rate tied to LIBOR, with an effective rate ranging from approximately 3-4% per annum on drawn amounts and 0.375% per annum on undrawn committed amounts. The Conda ABL includes springing financial covenants that require Conda to comply with certain ratios and thresholds if there is an event of default or an insufficient borrowing base (see Note 23). As at September 30, 2021, Conda has drawn cash of $10,000 and posted letters of credit of $24,570 under the Conda ABL. As at September 30, 2021, an additional $5,430 remained available under the Conda ABL to be drawn by Conda subject to certain terms and conditions (see Note 24).

Conda's equipment financings bear interest at 8.3% per annum with maturity on August 28, 2022 and 5.75% per annum with maturity on March 11, 2024. Such equipment financings are payable in equal monthly installments of principal and interest through maturity. During Q1 2021, Conda also repaid in full an equipment financing that bore interest at 8.3% per annum with maturity on February 28, 2021.

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

The Company's 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 (see Note 22).

The Company's Canadian debentures issued to Banco Modal S.A. ("Modal") bore 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. During 2021, the Company repaid in full Canadian debentures issued to Modal.

For the period December 31, 2020 through September 30, 2021, the Company had changes in debt as follows:

| *(unaudited in thousands of US Dollars)* | Current debt | Long-term debt |
|---|---|---|
| **Balance as at December 31, 2020** | **$ 2,437** | **$ 237,756** |
| Proceeds from the Term Loan | 30,750 | 174,250 |
| Deferred financing costs of the Term Loan | — | (10,931) |
| Amortization of financing costs of the Term Loan | — | 423 |
| Payment of cash interest of the Term Loan | (316) | — |
| Accrual of cash interest of the Term Loan | 1,875 | — |
| Repayment of the Credit Facility | — | (195,955) |
| Capitalization of in-kind interest of the Credit Facility | — | 2,898 |
| Payment of cash interest of the Credit Facility | (13,268) | — |
| Accrual of cash interest of the Credit Facility | 12,508 | — |
| Change in accrued in-kind interest of the Credit Facility | — | (253) |
| Amortization of financing costs of the Credit Facility | — | 1,260 |
| Loss on debt extinguishment of the Credit Facility | — | 2,012 |
| Accrual of in kind interest of Promissory Note | — | 4,340 |
| Loss on debt extinguishment of the Promissory Note | — | 1,546 |
| Repayment of Conda equipment financings | (160) | (350) |
| Reclassification of the Conda equipment financings to current debt | 465 | (465) |
| Repayment of Brazilian Debentures | — | (127) |
| Change in Brazilian debentures | 40 | (26) |
| Change in Canadian debentures issued to CLF | 30 | — |
| Repayment of Canadian debentures issued to Modal | (621) | — |
| Change in Canadian debentures issued to Modal | 18 | — |
| **Balance as at September 30, 2021** | **$ 33,758** | **$ 216,378** |

## 12. OTHER LIABILITIES

As at September 30, 2021 and December 31, 2020, the Company had other long-term liabilities as follows:

| *(unaudited in thousands of US Dollars)* | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Lease liabilities | $ 14,888 | $ 16,742 |
| Taxes payable | 2,557 | 2,450 |
| Share-based payments | 2,595 | 384 |
| Other | 603 | 602 |
| **Other liabilities** | **$ 20,643** | **$ 20,178** |
| Less: current portion | (2,593) | (2,812) |
| **Other long-term liabilities** | **$ 18,050** | **$ 17,366** |

## LEASE LIABILITIES

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 September 30, 2021, and December 31, 2020, the Company had other current liabilities as follows:

| *(unaudited in thousands of US Dollars)* | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Lease liabilities | $ 2,593 | $ 2,812 |
| **Other current liabilities** | **$ 2,593** | **$ 2,812** |

As at September 30, 2021, the Company had total future contractual payments for leases recognized under IFRS 16 as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 |
|---|---|---|
| Within 1 year | $ | 2,593 |
| Between 2 and 3 years | | 7,010 |
| Between 4 and 5 years | | 4,346 |
| After 5 years | | 4,236 |
| **Total contractual payments** | **$** | **18,185** |

For the period December 31, 2020 through September 30, 2021, the Company had changes in lease liabilities as follows:

| *(unaudited in thousands of US Dollars)* | | Current Lease Liabilities | | Long-term Lease Liabilities |
|---|---|---|---|---|
| **Balance as at December 31, 2020** | | **2,812** | | **13,930** |
| New leases commenced | | — | | 367 |
| Interest accrual on the leases | | 908 | | — |
| Lease payments | | (1,127) | | (2,002) |
| **Balance as at September 30, 2021** | **$** | **2,593** | **$** | **12,295** |

## TAXES PAYABLE

As at September 30, 2021 and December 31, 2020, taxes payable were primarily related to the taxes payable to the Brazilian tax authorities resulting from intercompany loans between the Company's subsidiaries.

## SHARE-BASED PAYMENTS

As at September 30, 2021 and December 31, 2020, share-based payments were related to RSUs granted by the Company under its restricted share unit plan (the "RSU Plan").

As at September 30, 2021, the Company had 7,291,052 RSUs outstanding and 6,673,447 RSUs available for issuance under its RSU Plan. As at December 31, 2020, the Company had 5,444,829 RSUs outstanding and 10,354,983 RSUs available for issuance under its RSU Plan.

For the period December 31, 2020 through September 30, 2021, the Company had changes in RSUs as follows:

| *(in number of RSUs)* | RSUs |
|---|---|
| **Balance as at December 31, 2020** | **5,444,829** |
| Granted | 3,761,637 |
| Cash settled | (74,597) |
| Vested | (1,760,717) |
| Forfeited | (80,100) |
| **Balance as at September 30, 2021** | **7,291,052** |

For the nine months ended September 30, 2021, the Company granted 3,761,637 RSUs under its RSU Plan, including 305,326 RSUs granted to directors, 1,559,777 RSUs granted to management and 1,896,534 RSUs granted to employees and contractors.

For the nine months ended September 30, 2021, the Company cash settled 74,597 for $36 due to vesting under its RSU Plan. For the nine months ended September 30, 2020, the Company cash settled 128,082 RSUs for $45 due to vesting under its RSU Plan (see Note 13).

For the nine months ended September 30, 2021, the Company issued 1,352,018 shares (net of 408,699 shares withheld to pay applicable taxes) due to vesting under its RSU Plan. For the nine months ended September 30, 2020, the Company issued 1,911,759 shares (net of 403,835 shares withheld to pay applicable taxes) due to vesting under its RSU Plan.

For the three months ended September 30, 2021 and 2020, the Company had share-based payment expense of $89 and $274, respectively. For the nine months ended September 30, 2021 and 2020, the Company had share-based payment expense of $3,223 and $605, respectively (see Note 15).

## 13. SHARE CAPITAL

### AUTHORIZED CAPITAL

As at September 30, 2021, the Company was authorized to issue up to 5,000,000,000 shares, consisting of 4,000,000,000 shares of common stock and 1,000,000,000 shares of preferred stock, each with a par value of 0.00001 US Dollars per share.

### SHARES ISSUED AND OUTSTANDING

As at September 30, 2021 and December 31, 2020, the Company had 186,814,842 and 185,462,824 shares issued and outstanding, respectively. As at September 30, 2021 and December 31, 2020, CLF beneficially owned and controlled 124,961,722 shares of the Company, representing approximately 66.9% and 67.4% of the issued and outstanding shares on an undiluted basis, respectively (see Notes 1 and 22).

For the three months ended September 30, 2021, the Company issued 52,356 shares (net of 25,829 shares withheld to pay applicable taxes) due to vesting under its RSU Plan (see Notes 3 and 12). For the nine months ended September 30, 2021, the Company issued 1,352,018 shares (net of 408,699 shares withheld to pay applicable taxes) due to vesting under its RSU Plan (see Notes 3 and 12).

For the three months ended September 30, 2020, the Company did not issue any shares due to vesting under its RSU Plan (see Notes 3 and 12). For the nine months ended September 30, 2020, the Company issued 1,911,759 shares (net of 403,835 shares withheld to pay applicable taxes) due to vesting under its RSU Plan (see Notes 3 and 12).

On January 31, 2020, the Company issued 5,000,000 shares to lenders of the Credit Facility 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 (see Notes 11 and 22).

### WEIGHTED-AVERAGE NUMBER OF SHARES

For the three and nine months ended September 30, 2021 and 2020, the Company had weighted-average number of shares and potentially dilutive RSUs as follows:

| | *For the three months ended September 30,* | | *For the nine months ended September 30,* | |
|---|---|---|---|---|
| *(in number of shares)* | **2021** | **2020** | **2021** | **2020** |
| Weighted-average number of shares | 186,802,302 | 185,462,824 | 186,210,550 | 184,243,168 |
| Weighted-average number of potentially dilutive RSUs | 2,995,530 | 2,091,500 | 2,677,235 | 2,091,500 |
| **Diluted weighted-average number of shares** | **189,797,832** | **187,554,324** | **188,887,785** | **186,334,668** |

For the three months ended September 30, 2021, the Company recorded net income. Accordingly, all potentially dilutive RSUs were included in the diluted weighted-average number of shares.

For the three months ended September 30, 2020, the Company incurred net loss. Accordingly, all potentially dilutive RSUs were excluded from the diluted weighted-average number of shares as these instruments were anti-dilutive.

**NCI**

As at September 30, 2021 and December 31, 2020, the Company had NCI of $1,165 and $754, respectively (see Note 2).

## 14. REVENUES

For the three and nine months ended September 30, 2021 and 2020, Conda had revenues as follows:

| | *For the three months ended September 30,* | | *For the nine months ended September 30,* | |
|---|---|---|---|---|
| *(unaudited in thousands of US Dollars)* | **2021** | **2020** | **2021** | **2020** |
| MAP | $ 43,215 | $ 22,696 | $ 124,933 | $ 76,892 |
| MAP+ | 13,388 | 3,423 | 31,294 | 5,760 |
| SPA | 43,960 | 16,798 | 131,042 | 86,263 |
| MGA | 64 | 61 | 541 | 741 |
| APP | 2,378 | 4,610 | 8,653 | 10,813 |
| **Revenues** | **$ 103,005** | **$ 47,588** | **$ 296,463** | **$ 180,469** |

For the three months ended September 30, 2021 and 2020, Conda had two customers that individually accounted for more than 10% of Conda's total revenues. For the three months ended September 30, 2021, these two customers represented approximately 50% and 10%, respectively, of Conda's total revenues. For the three months ended September 30, 2020 these two customers represented approximately 45% and 13%, respectively, of Conda's total revenues.

For the nine months ended September 30, 2021 and 2020, Conda had two customers that individually accounted for more than 10% of Conda's total revenues. For the nine months ended September 30, 2021, these two customers represented approximately 52% and 12%, respectively, of Conda's total revenues. For the nine months ended September 30, 2020 these two customers represented approximately 45% and 13%, respectively, of Conda's total revenues.

For the three and nine months ended September 30, 2021 and 2020, Arraias had revenues as follows:

| | *For the three months ended September 30,* | | *For the nine months ended September 30,* | |
|---|---|---|---|---|
| *(unaudited in thousands of US Dollars)* | **2021** | **2020** | **2021** | **2020** |
| SSP | $ — | $ 50 | $ — | $ 3,720 |
| SSP+ | — | — | — | 453 |
| Excess sulfuric acid | — | — | — | 468 |
| **Revenues** | **$ —** | **$ 50** | **$ —** | **$ 4,641** |

For the three and nine months ended September 30, 2020, Arraias had one customer that individually accounted for more than 10% of Arraias' total revenues. For the three and nine months ended September 30, 2020, this one customer represented approximately 57% and 15%, respectively, of Arraias' total revenues.

## 15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the three and nine months ended September 30, 2021 and 2020, the Company had selling, general and administrative expenses as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| *(unaudited in thousands of US Dollars)* | **2021** | **2020** | **2021** | **2020** |
| Payroll expenses | $ 3,750 | $ 2,177 | $ 9,455 | $ 6,784 |
| Professional fees | 1,249 | 733 | 3,484 | 2,742 |
| Share-based payments expense | 89 | 274 | 3,223 | 605 |
| Insurance expenses | 298 | 368 | 846 | 1,186 |
| Office, travel and general administrative expense | 601 | 599 | 1,956 | 2,337 |
| Director fees | 158 | 185 | 451 | 768 |
| **Selling, general and administrative expenses** | **$ 6,145** | **$ 4,336** | **$ 19,415** | **$ 14,422** |

## 16. FOREIGN EXCHANGE GAIN (LOSS)

For the three months ended September 30, 2021 and 2020, the Company recognized a foreign exchange gain (loss) of $(926) and $279, respectively. For the nine months ended September 30, 2021 and 2020, the Company recognized a foreign exchange loss of $(868) and $(5,352), respectively. These amounts are primarily comprised of the gain or loss resulting from remeasuring monetary items denominated in Brazilian Reals and Canadian Dollars (see Note 23).

## 17. FINANCE EXPENSE (INCOME)

For the three and nine months ended September 30, 2021 and 2020, the Company had finance expense (income) as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| *(unaudited in thousands of US Dollars)* | **2021** | **2020** | **2021** | **2020** |
| Interest expense | $ 7,203 | $ 7,298 | $ 21,947 | $ 19,932 |
| Interest capitalized in property, plant and equipment | — | (916) | — | (2,530) |
| Amortization of deferred financing costs related to the Credit Facility | 192 | 476 | 1,260 | 1,342 |
| Amortization of deferred financing costs of the Term Loan | 423 | — | 423 | — |
| Loss on debt extinguishment of the Credit Facility | 2,012 | — | 2,012 | — |
| Loss on debt extinguishment of the Promissory Note | 1,546 | — | 1,546 | — |
| Environmental and asset retirement obligation accretion expense | 334 | 330 | 863 | 984 |
| Interest on lease liabilities | 292 | 213 | 908 | 714 |
| Interest income | (3) | (1) | (4) | (13) |
| **Finance expense, net** | **$ 11,999** | **$ 7,400** | **$ 28,955** | **$ 20,429** |

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## 18. INCOME TAXES

For the three and nine months ended September 30, 2021 and 2020, the Company had total current and deferred income tax expense (recovery) as follows:

| | *For the three months ended September 30,* | | *For the nine months ended September 30,* | |
|---|---|---|---|---|
| *(unaudited in thousands of US Dollars)* | **2021** | **2020** | **2021** | **2020** |
| Current income tax expense | $ 6,225 | $ 747 | $ 15,603 | $ 2,862 |
| Deferred income tax recovery | (1,075) | (512) | (777) | (4,351) |
| **Total current and deferred income tax expense (recovery)** | **$ 5,150** | **$ 235** | **$ 14,826** | **$ (1,489)** |
| Actual effective tax rate (%) | 24.7 | (1.7) | 35.3 | 2.7 |

### DEFERRED TAX ASSETS

As at September 30, 2021 and December 31, 2020, the Company had deferred tax assets as follows:

| *(unaudited in thousands of US Dollars)* | **September 30, 2021** | **December 31, 2020** |
|---|---|---|
| Payroll and related taxes payable | $ 854 | $ 932 |
| Mineral properties | 14,465 | 12,339 |
| Interest expense | 289 | — |
| **Deferred tax assets** | **$ 15,608** | **$ 13,271** |
| Offset of deferred tax liabilities | (13,537) | (12,067) |
| **Deferred tax assets, net** | **$ 2,071** | **$ 1,204** |

As at September 30, 2021 and December 31, 2020, the Company had related deferred tax assets and liabilities at Conda, which have been presented on a net basis.

As at September 30, 2021, the Company had changes in deferred tax assets as follows:

| *(unaudited in thousands of US Dollars)* | **Payroll and related taxes payable** | **Mineral properties** | **Interest expense** | **Total deferred tax assets** |
|---|---|---|---|---|
| **Balance as at December 31, 2020** | **$ 932** | **$ 12,339** | **$ —** | **$ 13,271** |
| Charge (credit) to profit or loss | (78) | 2,126 | 289 | 2,337 |
| **Balance as at September 30, 2021** | **$ 854** | **$ 14,465** | **$ 289** | **$ 15,608** |

The Company has not recognized a deferred tax asset for its tax losses. As at September 30, 2021, the Company had tax losses as follows:

- Brazilian tax losses of approximately $419,314 that may be carried forward indefinitely; and
- US tax losses of approximately $49,034, of which $8,935 may be carried forward indefinitely and $40,099 may be carried forward for 20 years from the year generated.

The Company's Brazilian tax losses are primarily related to Arraias. The Company's US tax losses are related to Paris Hills (wind down in process).

### DEFERRED TAX LIABILITIES

As at September 30, 2021 and December 31, 2020, the Company had deferred tax liabilities as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Property, plant and equipment | $ | 11,092 | $ | 9,829 |
| Inventories | | 2,445 | | 2,238 |
| **Deferred tax liabilities** | **$** | **13,537** | **$** | **12,067** |
| Offset of deferred tax assets | | (13,537) | | (12,067) |
| **Deferred tax liabilities, net** | **$** | — | **$** | — |

As at September 30, 2021 and December 31, 2020, the Company had related deferred tax assets and liabilities at Conda, which have been presented on a net basis.

As at September 30, 2021, the Company had changes in deferred tax liabilities as follows:

| *(unaudited in thousands of US Dollars)* | | Property, plant and equipment | | Inventories | | Total deferred tax liabilities |
|---|---|---|---|---|---|---|
| **Balance as at December 31, 2020** | **$** | **9,829** | **$** | **2,238** | **$** | **12,067** |
| Charge to profit or loss | | 1,263 | | 207 | | 1,470 |
| **Balance as at September 30, 2021** | **$** | **11,092** | **$** | **2,445** | **$** | **13,537** |

## 19. COMMITMENTS AND CONTINGENCIES

### LEGAL 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 September 30, 2021, the Company does not believe that the outcome of any of the matters, individually or in aggregate, not recorded in these Interim Financial Statements would have a material adverse effect. As at September 30, 2021, the Company has currently accrued $264 in relation to labor and other claims that have been made (see Note 10). The ultimate outcome of these claims is uncertain at this time and management is defending its position in each case.

### CONDA GUARANTEES

Conda's operating and environmental permits require certain obligations related to environmental and reclamation activities to be guaranteed. As at September 30, 2021, Conda's guarantee requirements were $85,080.

For the three and nine months ended September 30, 2021, Conda placed incremental surety bonds of $45,323 to guarantee its obligations under its existing operating and environmental permits. As at September 30, 2021, Conda had placed surety bonds for $67,549 of the $85,080 guarantee requirements.

For the three and nine months ended September 30, 2021, Conda posted incremental letters of credit of $16,619 under the Conda ABL as collateral for surety bonds that guarantee its obligations under its existing operating and environmental permits. As at September 30, 2021, Conda had posted letters of credit of $24,570 under the Conda ABL as collateral for surety bonds that guarantee its obligations under its existing operating and environmental permits.

Conda is in process of implementing the remaining requested incremental guarantee requirements (see Notes 11 and 24).

## 20. SEGMENT REPORTING

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

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.

**For the three months ended September 30, 2021 and 2020**

For the three months ended September 30, 2021, the Company had net income (loss) by segment as follows:

| *(unaudited in thousands of US Dollars)* | | Conda | | Arraias | | Development and exploration | | Corporate | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | $ | **103,005** | $ | **—** | $ | **—** | $ | **—** | $ | **103,005** |
| Cost of goods sold | | 62,536 | | 642 | | — | | — | | 63,178 |
| **Gross Margin** | $ | **40,469** | $ | **(642)** | $ | **—** | $ | **—** | $ | **39,827** |
| Selling, general and administrative expenses | | 1,106 | | 397 | | 289 | | 4,353 | | 6,145 |
| **Operating income (loss)** | $ | **39,363** | $ | **(1,039)** | $ | **(289)** | $ | **(4,353)** | $ | **33,682** |
| Foreign exchange gain (loss) | | (679) | | 614 | | 74 | | (935) | | (926) |
| Other income (expense), net | | 39 | | 182 | | (7) | | — | | 214 |
| Loss on asset disposal | | — | | (145) | | — | | — | | (145) |
| Finance expense, net | | (802) | | (47) | | (2) | | (11,148) | | (11,999) |
| **Income (loss) before income taxes** | $ | **37,921** | $ | **(435)** | $ | **(224)** | $ | **(16,436)** | $ | **20,826** |
| Current and deferred income tax expense (recovery) | | 9,175 | | — | | — | | (4,025) | | 5,150 |
| **Net income (loss)** | $ | **28,746** | $ | **(435)** | $ | **(224)** | $ | **(12,411)** | $ | **15,676** |

For the three months ended September 30, 2020, the Company had net income (loss) by segment as follows:

| *(unaudited in thousands of US Dollars)* | | Conda | | Arraias | | Development and exploration | | Corporate | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | $ | **47,588** | $ | **50** | $ | **—** | $ | **—** | $ | **47,638** |
| Cost of goods sold | | 48,796 | | 543 | | — | | — | | 49,339 |
| Write-off of mineral properties | | — | | — | | — | | — | | — |
| **Gross margin** | $ | **(1,208)** | $ | **(493)** | $ | **—** | $ | **—** | $ | **(1,701)** |
| Selling, general and administrative expenses | | 726 | | 578 | | 423 | | 2,609 | | 4,336 |
| **Operating income (loss)** | $ | **(1,934)** | $ | **(1,071)** | $ | **(423)** | $ | **(2,609)** | $ | **(6,037)** |
| Foreign exchange gain (loss) | | 182 | | 87 | | 119 | | (109) | | 279 |
| Other income (expense), net | | (14) | | (468) | | 89 | | — | | (393) |
| Loss on asset disposal | | — | | (2) | | — | | — | | (2) |
| Finance (income) expense, net | | 58 | | (13) | | (3) | | (7,442) | | (7,400) |
| **Income (loss) before income taxes** | $ | **(1,708)** | $ | **(1,467)** | $ | **(218)** | $ | **(10,160)** | $ | **(13,553)** |
| Current and deferred income tax expense | | 49 | | — | | — | | 186 | | 235 |
| **Net income (loss)** | $ | **(1,757)** | $ | **(1,467)** | $ | **(218)** | $ | **(10,346)** | $ | **(13,788)** |

**For the nine months ended September 30, 2021 and 2020**

For the nine months ended September 30, 2021, the Company had net income (loss) by segment as follows:

| *(unaudited in thousands of US Dollars)* | Conda | Arraias | Development and exploration | Corporate | Total |
|---|---|---|---|---|---|
| **Revenues** | **$ 296,463** | **$ —** | **$ —** | **$ —** | **$ 296,463** |
| Cost of goods sold | 203,623 | 1,878 | — | — | 205,501 |
| **Gross margin** | **$ 92,840** | **$ (1,878)** | **$ —** | **$ —** | **$ 90,962** |
| Selling, general and administrative expenses | 3,447 | 1,161 | 1,221 | 13,586 | 19,415 |
| **Operating income (loss)** | **$ 89,393** | **$ (3,039)** | **$ (1,221)** | **$ (13,586)** | **$ 71,547** |
| Foreign exchange gain (loss) | (566) | 697 | (395) | (604) | (868) |
| Other income | 31 | 243 | 84 | — | 358 |
| Loss on asset disposal | — | (97) | — | — | (97) |
| Finance expense, net | (2,225) | (59) | (5) | (26,666) | (28,955) |
| **Income (loss) before income taxes** | **$ 86,633** | **$ (2,255)** | **$ (1,537)** | **$ (40,856)** | **$ 41,985** |
| Current and deferred income tax expense (recovery) | 18,753 | — | — | (3,927) | 14,826 |
| **Net income (loss)** | **$ 67,880** | **$ (2,255)** | **$ (1,537)** | **$ (36,929)** | **$ 27,159** |

For the nine months ended September 30, 2020, the Company had net income (loss) by segment as follows:

| *(unaudited in thousands of US Dollars)* | Conda | Arraias | Development and exploration | Corporate | Total |
|---|---|---|---|---|---|
| **Revenues** | **$ 180,469** | **$ 4,641** | **$ —** | **$ —** | **$ 185,110** |
| Cost of goods sold | 177,719 | 13,376 | — | — | 191,095 |
| Write-off of mineral properties | — | — | 8,449 | — | 8,449 |
| **Gross margin** | **$ 2,750** | **$ (8,735)** | **$ (8,449)** | **$ —** | **$ (14,434)** |
| Selling, general and administrative expenses | 2,620 | 1,961 | 1,728 | 8,113 | 14,422 |
| **Operating income (loss)** | **$ 130** | **$ (10,696)** | **$ (10,177)** | **$ (8,113)** | **$ (28,856)** |
| Foreign exchange gain (loss) | 335 | (6,502) | 788 | 27 | (5,352) |
| Other income (expense), net | (15) | 821 | 85 | 3 | 894 |
| Loss on asset disposal | — | (637) | — | — | (637) |
| Finance (income) expense, net | 79 | (26) | (7) | (20,475) | (20,429) |
| **Income (loss) before income taxes** | **$ 529** | **$ (17,040)** | **$ (9,311)** | **$ (28,558)** | **$ (54,380)** |
| Current and deferred income tax expense (recovery) | (2,098) | — | — | 609 | (1,489) |
| **Net income (loss)** | **$ 2,627** | **$ (17,040)** | **$ (9,311)** | **$ (29,167)** | **$ (52,891)** |

As at September 30, 2021, the Company had total assets and total liabilities by segment as follows:

| *(unaudited in thousands of US Dollars)* | Conda | Arraias | Development and exploration | Corporate | Total |
|---|---|---|---|---|---|
| **Total assets** | $ 319,374 | $ 132,176 | $ 75,727 | $ 2,918 | **$ 530,195** |
| **Total liabilities** | $ 161,564 | $ 12,311 | $ 3,194 | $ 242,801 | **$ 419,870** |

As at December 31, 2020, the Company had total assets and total liabilities by segment as follows:

| *(unaudited in thousands of US Dollars)* | Conda | Arraias | Development and exploration | Corporate | Total |
|---|---|---|---|---|---|
| **Total assets** | $ 263,092 | $ 136,300 | $ 75,246 | $ 2,666 | **$ 477,304** |
| **Total liabilities** | $ 142,801 | $ 15,556 | $ 3,236 | $ 233,288 | **$ 394,881** |

As at September 30, 2021 and December 31, 2020, the Company had property, plant and equipment and mineral properties by segment as follows:

| *(unaudited in thousands of US Dollars)* | | Conda | | Arraias | | Development and exploration | | Corporate | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at September 30, 2021** | $ | 150,301 | $ | 118,507 | $ | 74,722 | $ | 534 | **$** | **344,064** |
| **Balance as at December 31, 2020** | $ | 139,805 | $ | 118,826 | $ | 74,159 | $ | 209 | **$** | **332,999** |

As at September 30, 2021 and December 31, 2020, the Company had property, plant and equipment and mineral properties by region as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Brazil (South America) | $ | 127,557 | $ | 127,781 |
| US (North America) | | 150,815 | | 140,015 |
| Guinea-Bissau (Africa) | | 65,692 | | 65,203 |
| **Property, plant and equipment, and mineral properties, net** | **$** | **344,064** | **$** | **332,999** |

## 21. NET CHANGE IN NON-CASH WORKING CAPITAL

For the nine months ended September 30, 2021 and 2020, the Company had net change in non-cash working capital as follows:

| | *For the nine months ended September 30,* | | | |
|---|---|---|---|---|
| *(unaudited in thousands of US Dollars)* | | **2021** | | 2020 |
| Accounts receivable | $ | (17,970) | $ | 8,087 |
| Inventories, net | | (13,943) | | 4,381 |
| Other assets and prepaids | | 5,738 | | 6,102 |
| Accounts payable and accrued liabilities | | 177 | | (25,655) |
| Other liabilities and provisions | | 2,999 | | (470) |
| **Net change in non-cash working capital** | **$** | **(22,999)** | **$** | **(7,555)** |

## 22. RELATED PARTY TRANSACTIONS

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

### KEY MANAGEMENT COMPENSATION

Key management compensation considers amounts the Company has paid or accrued as payable to key management, including directors and officers of the Company.

For the three and nine months ended September 30, 2021 and 2020, the Company had key management compensation as follows:

| | *For the three months ended September 30,* | | | | *For the nine months ended September 30,* | | | |
|---|---|---|---|---|---|---|---|---|
| *(unaudited in thousands of US Dollars)* | | **2021** | | **2020** | | **2021** | | **2020** |
| Management compensation | $ | 293 | $ | 190 | $ | 1,131 | $ | 1,234 |
| Director fees | | 158 | | 185 | | 451 | | 768 |
| Share-based payments | | — | | — | | 282 | | 378 |
| Non-recurring compensation payments | | 100 | | — | | 100 | | 179 |
| Other benefits | | 5 | | 6 | | 48 | | 29 |
| **Key management compensation** | **$** | **556** | **$** | **381** | **$** | **2,012** | **$** | **2,588** |

### RELATED PARTY DEBT

As at September 30, 2021 and December 31, 2020, the Company had related party debt as follows:

| *(unaudited in thousands of US Dollars)* | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| CLF participation in the Credit Facility *(Note 24)* | $ | — | $ | 31,372 |
| Promissory Note *(Note 24)* | | 41,706 | | 35,820 |
| Canadian debentures issued to CLF | | 428 | | 399 |
| **Related party debt** | **$** | **42,134** | **$** | **67,591** |

On January 31, 2020, the Company issued 5,000,000 shares to lenders of the Credit Facility, of which CLF received 812,506 based on its pro-rata debt holding of the Credit Facility (see Notes 11 and 13).

## 23. 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 three months ended September 30, 2021 and 2020, there were no such transfers.

The fair values of cash and cash equivalents, accounts receivable, short-term investments, accounts payable and accrued liabilities to approximate their carrying values in the consolidated balance sheets given the interest receivable and or payable is either close to current market rates or the instruments are short-term in nature.

Long-term debt is recorded on the consolidated balance sheets at amortized cost. The fair value of long-term debt is determined by applying a discount rate, reflecting an appropriate credit spread considering the Company's credit rating, to future related cash flows. As such, long-term debt is classified within Level 3 of the fair value hierarchy. As at September 30, 2021 and December 31, 2020, the Company's long-term debt was stated at an amortized cost of $216,378 and $237,756, respectively, and had a fair value of $240,132 and $205,261, respectively.

### RISK FACTORS

Except as noted below, the risk factors included in the Company's Audited Financial Statements remain applicable for these Interim Financial Statements.

**Liquidity Risk**

The Company is not currently projecting any material impact on its operations or financial outlook as a result of the COVID-19 pandemic. However, the Company is closely monitoring potential 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 cash shortfall unless otherwise remedied (see Note 2).

As at September 30, 2021, the Company had cash and cash equivalents of $24,120. As at September 30, 2021, an additional $5,430 remained available under the Conda ABL to be drawn by Conda subject to certain terms and conditions (see Note 11).

**Financial Covenant Risk**

The Term Loan includes financial covenants that require the Company to comply with certain ratios and thresholds. The principal financial covenants in the Term Loan require the Company not to exceed a consolidated net secured leverage ratio and to maintain a minimum fixed charge coverage ratio as at the end of each fiscal quarter commencing December 31, 2021 (see Note 11).

The Conda ABL includes springing financial covenants that require Conda to comply with certain ratios and thresholds if there is an event of default or an insufficient borrowing base. The principal springing financial covenants in the Conda ABL, if applicable, require Conda to maintain minimum fixed charge coverage ratios at the end of each month and fiscal quarter, respectively (see Note 11).

**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.

## 24. SUBSEQUENT EVENTS

**Restart of Sulfuric Acid Plant at Arraias**

Subsequent to September 30, 2021, the Company announced its decision to restart the sulfuric acid plant at Arraias. The recommissioning of the sulfuric acid plant at Arraias is expected to be completed over a four month timeframe in order to commence sulfuric acid sales during Q1 2022.

**Conda Guarantees**

Subsequent to September 30, 2021, as part of standard regulatory reviews by the respective governmental agencies, Conda's guarantee requirements were reduced from $85,080 to $77,739. Conda has placed surety bonds for $67,549 of the $77,739 guarantee requirements and posted letters of credit of $24,570 under the Conda ABL as collateral for such surety bonds. Conda is in process of implementing the remaining $10,191 of the requested incremental guarantee requirements (see Notes 11 and 19).

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