ITAFOS

(formerly MBAC Fertilizer Corp.)

Management Discussion and Analysis Q2 2017

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(All figures are in United States Dollars ("USD") unless otherwise specified and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements. This Management's Discussion and Analysis of Operations and Financial Condition ("MD&A") is effective as of August 15, 2017 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2017 ("interim financial statements") and the most recently issued annual consolidated financial statements for the year ended December 31, 2016 ("consolidated financial statements").

The Company has included certain non-GAAP financial measures, which the Company believes that together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-GAAP financial measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Cautionary statements regarding forward-looking information and mineral reserves and mineral resources are included in this MD&A.

1. CORE BUSINESS

Itafos (TSXV: IFOS) (the "Company" or "Itafos") is engaged in the exploration, mining and production of phosphate based fertilizers. The Company is strategically positioned to grow and become a sizeable player within the phosphate industry worldwide. Itafos pursues diversification by having assets with diverse characteristics (phosphate rock mines, integrated phosphate fertilizer plants), in varying stages of development and spread across strategic geographical zones. The Company's key mine in Brazil has a sizeable proven phosphate rock reserve base that should facilitate the transition from its current recommissioning phase to sustainable production. Looking further ahead, management's rigorous front-end planning will continue to reduce inherit risks while maximizing long-term production and cash flow potential.

The Company owns the following projects which are in various stages:

- <u>Itafos Arraias</u>
  500,000 tons per year Single Super Phosphate ("SSP") integrated fertilizer production facility located in central Brazil. That integrated facility is comprised of a phosphate mine, a mill, a beneficiation plant, a sulphuric acid plant, an SSP plant and a granulation plant with related infrastructure.
- <u>Itafos Santana</u>
  High-grade phosphate deposit located near Brazil's largest fertilizer market in the state of Mato Grosso State and close to the animal feed market of Pará State.
- <u>Itafos Araxa (Brazil)</u>
  High-grade rare earth elements, niobium and phosphate deposit located near two operating mines and benefiting from existing local infrastructure in Minas Gerais state.

- <u>GB Minerals Ltd. – Farim Project (Guinea Bissau)</u>
  The Company owns an approximate 31.3% interest in GB Minerals Ltd. which owns the Farim Project, a high-grade phosphate deposit located in Guinea Bissau.
- <u>Stonegate Agricom Ltd. ("STG")</u>
  The Company owns 100% of STG as of July 2017, which in turn owns the Paris Hills Project, a high-grade phosphate deposit located in Idaho, United States and the Mantaro Project, a high-grade phosphate deposit located in Peru.

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

2. HIGHLIGHTS

For the three months ended June 30, 2017 (unless otherwise noted)

- During 2017, the Brazilian subsidiaries changed their functional currency from Brazilian Real ("R$") to USD based on the Itafos Arraias SSP Operations re-commencing development activities and based on the financing of the entity. The parent entity and other subsidiaries have changed from Canadian Dollar ("C$") to USD based on the change in location of the head office operations and financing of the entities.
- On April 17, 2017, the Company's interest in STG increased to approximately 35.2%, upon the closing of a non-brokered private placement by STG in which the Company subscribed to all the shares for cash consideration of C$950. And subsequently, acquired the 100% of STG as of July 2017.
- Recommissioning of Itafos Arraias continues to progress with completion of recommissioning expected in the second half of 2017. Testing of the primary plant processes of Itafos Arraias commenced during May 2017.

OPERATIONAL

ITAFOS ARRAIAS (Brazil)

Itafos Arraias is in the municipality of Arraias, Tocantins state, Brazil. Itafos Arraias produces SSP, a type of sulphur-based phosphate fertilizer that is widely used in Brazil. SSP is an excellent source of three plant nutrients – phosphorous, sulphur and calcium. The presence of these nutrients in SSP provides great benefit to the development of crops in regions where these nutrients are deficient, such as in Brazil's Cerrado region where the new cropping areas are being developed at a rapid pace. The target market for Itafos Arraias encompasses seven states (West Bahia, North Goias, Tocantins, North East Matto Grosso, South Piaui, South Maranhao and South-East Para) within the Cerrado region. According to SIACESP/ANDA (the Association of Fertilizer and Agriculture in the state of Sao Paulo, Brazil), the total SSP market size in Brazil is estimated to be approximately 5 million tons per year. Out of that 5 million tons, approximately 1.2 million tons are estimated to be consumed in the Cerrado region.

Upon the initiation of the restructuring of the Company in Canada and Brazil in the beginning of 2015, the Company placed Itafos Arraias in "care and maintenance" mode. In Q4 2016, the Company completed the restructuring in Canada and Brazil. Beginning January 1, 2017, the Company commenced recommissioning activities at Itafos Arraias. Management expects to complete the recommission of the Itafos Arraias SSP Operations during the second half of 2017 and to ramp-up production to 80% of capacity by year-end. Once fully operational, Itafos Arraias will be the largest fully integrated SSP operation in the Cerrado region and one of the largest fully integrated SSP operations in Brazil.

All top management, coordinator and supervisor positions at the facility are filled. Mr. Charles Bathomarco was hired as the General Plant Manager of the Itafos Arraias SSP Operations in early 2017. Mr. Bathomarco has more than 17 years of experience as a senior professional in the resource, mining and chemical industry, primarily in Brazil. Prior to joining Itafos, Mr. Bathomarco was a General Plant Manager for Bahia Mineração (ERM Group) in Brazil and AEMR (Angola Exploration Mining Resources) in Angola, and a Manager of Operations for MMX, Anglo American, Vale and Mineração Cariaga.

In preparation for the completion of the recommissioning and ramp-up of production, Itafos continues to advance the development of its go-to-market sales and marketing strategy. This strategy includes assessment of the competitive landscape, national SSP consumption trends, international sulphur and phosphate fertilizer markets, and identification of the optimal product mix and route to market.

The Company's technical report for Itafos Arraias is titled "Updated Technical Report Itafos Arraias SSP Project" and is dated and effective as of March 27, 2013. This report was prepared by Carlos Guzmán, FAusIMM, RM (Chilean Mining Commission), of NCL Brazil Ltda. ("NCL"); Beau Nicholls (BSc (Geol) MAIG), an associate consulting geologist with Andes Mining Ltd. ("AMSL"); Bradley Ackroyd (BSc (Geol) MAIG), the principal consulting geologist for AMSL; and Homero Delboni Jr. (registered member CIM & SME), owner of HDA Serviços S/S Ltda. Each preparer is a "qualified person" per the guidelines set forth in National Instrument 43-101 (the "Itafos Arraias Technical Report"). The Itafos Arraias Technical Report was prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and is filed under the Company's profile on SEDAR at www.sedar.com.

Proven and probable mineral reserves based on the production schedule used for the Itafos Arraias Technical Report are as follows. Information below is based on assumptions, qualifications and procedures which are not fully described herein and reference should be made to the full text of the Itafos Arraias Technical Report:

Category	Tonnage (million tons)	P_2O_5 %
Proven reserves	15.9	5.09
Probable reserves	48.9	5.07
	64.8	**5.07**

STRATEGIC DEVELOPMENTS, CONSTRUCTION AND DEVELOPMENT

ITAFOS SANTANA PROJECT (Brazil)

The Company, through two of its subsidiaries, is the beneficial holder of nine exploration properties totaling 87,855 hectares. One of those properties is a mining permit under application, and one is an exploration permit under application. These properties form the Itafos Santana Project. The Company's technical report for the Itafos Santana Project is titled "Feasibility Study – Itafos Santana Phosphate Project Pará State, Brazil," and is dated and effective as of October 28, 2013 (the "Itafos Santana Feasibility Study"). This report was prepared by Bradley Ackroyd of AMSL, Carlos Guzmán of NCL and Robert Alexander of Pegasus TSI, each a "qualified person" per the guidelines set forth in National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The Itafos Santana Feasibility Study was prepared in accordance with NI 43-101 and is filed under the Company's profile on SEDAR at www.sedar.com. Given the early stage of the Itafos Santana Project, fluctuations in commodity prices and lapse in time since the Itafos Santana Feasibility Study was prepared, the realizable value of the project may differ significantly from the conclusions of the Itafos Santana Feasibility Study. The project is currently in the exploration phase.

ITAFOS ARAXA PROJECT (Brazil)

The Company, through one of its subsidiaries, is the beneficial holder of four exploration properties totaling 214 hectares. These properties form the Itafos Araxa Project. The Company announced the results of an initial preliminary economic assessment, based on the technical report titled "A Preliminary Economic Assessment in the form of an Independent Technical Report on MBAC Fertilizer Corp. – Itafos Araxa Project", effective October 1, 2012 as amended and restated January 25, 2013 (the "Amended Itafos Araxa PEA"). The Amended Itafos Araxa PEA was prepared by Bradley Ackroyd and Andrew N. Clay of Venmyn Rand (Pty) Limited, each of whom is a "qualified person" per the guidelines set forth in NI 43-101. Given the early stage of the Itafos Araxa Project, fluctuations in commodity prices and lapse in time since the Itafos Araxa PEA was prepared, the realizable value of the project may differ significantly from the conclusions of the Itafos Araxa PEA. The project is currently in the exploration phase.

FARIM PROJECT (Guinea Bissau)

The Farim Project is 100% owned by GB Minerals and located in Farim, Guinea Bissau. The project is a world class, high quality, development phosphate project containing Measured and Indicated Resources of 105.6 million dry tons at a grade of 28.4% P_2O_5 and additional Inferred Resources of 37.6 million dry tons at 27.7% P_2O_5. The Measured and Indicated Resources include 44.0 million dry tons of reserves based on a 25-year mine plan at 1.75 million tons per annum ("Mtpa") of mine production at the following Run of Mine ("ROM") grades of 30.0% P_2O_5. The most current NI 43-101 - Report is entitled "NI 43-101 Technical Report on the Farim Phosphate Project" and dated effective September 14, 2015. The project is currently in the exploration phase.

PARIS HILLS PROJECT (Idaho)

The Paris Hills Phosphate Project is located in Bear Lake County, Idaho, just west of the towns of Paris and Bloomington and includes the former Bloomington Canyon, Consolidated (Little Canyon) and Paris Canyon (McIlwee) mine sites. The Paris Hills Project encompasses an area of approximately 1,010 hectares. Property holdings consist of three patented lode mining claims and 21 contiguous fee parcels (some with federal mineral reservations). The Paris Hills Project is located near the center of the western phosphate field. That phosphate field comprises the most extensive phosphorite beds in the United States and has one of the highest-grade phosphate deposits in the world. That phosphate field contains Measured and Indicated Resources of 29.8 million dry tons at a grade of 30% P_2O_5 and additional Inferred Resources of 4.6 million dry tons at 29.9% P_2O_5. The most current NI 43-101 Report is entitled "NI 43-101 Technical Paris Hills Phosphate Project" and dated effective January 18, 2013. The project is currently in the exploration phase.

MANTARO PHOSPHATE PROJECT (Peru)

The Mantaro Phosphate Property is located approximately 250 km east of Lima, Peru in the Andean altiplano near the city of Huancayo, Junin District. The Mantaro Phosphate Property encompasses 27,700 hectares trending in a northwesterly direction. The property's major asset is a mineralized zone of phosphatic rock currently defined by surface outcrops, trenches and drilling extending over a strike length of more than 30 km and a width of more than 5 km on the west side of the Mantaro River. The project contains Measured and Indicated Resources of 39.5 million dry tons at a grade of 10% P_2O_5 and additional Inferred Resources of 376.3 million dry tons at 9.0% P_2O_5.The most current NI 43-101 Report is entitled "NI 43-101 Technical Report on Mantaro Phosphate Deposit" and dated effective February 21, 2010. The project is currently in the exploration phase.

3. OUTLOOK AND STRATEGY

The Company aims to become a global phosphate platform, with high performing assets which are integrated from mining to fertilizer production. The Company continuously evaluates opportunities to grow through strategic partnerships, mergers, and acquisitions, as well as to evaluate investments in its existing assets that have potential to open up potential new markets to increase market share and value. Currently, Itafos' primary focus continues to the recommissioning of Itafos Arraias plant located in Brazil.

Based on the favorable outcome of the legal restructuring in Brazil, and funding received by the Company to date, the Company intends to resume operations at Itafos Arraias in Q3-Q4 2017. Commercial production will be deemed to be resumed once Itafos Arraias has achieved 30 consecutive days of sustainable production at 75% capacity.

The Company's action plan continues to be as follows:

- Improving the balance sheet as well as achieving operational goals by implementing efficient working capital strategies;
- Optimizing the Company's ramp-up phase by developing and continuing to invest in human capital;
- Achieving operational excellence by establishing and enforcing clear requirements and guidelines intended to capture value throughout the whole organization in a structured and focused manner;
- Positioning the Company as a "Supplier of Choice" for fertilizer inputs in its target region by leveraging competitive advantages with logistics, client proximity and product quality;
- Practicing a growth strategy of pursuing attractive greenfield and brownfield project pipelines. These pipelines include the projects that the Company currently owns or has significant interests. In addition, the Company is constantly evaluating other avenues for growth such as the acquisition of assets that may meet its strategic objective.

4. OVERVIEW OF RESULTS

The following selected financial data is derived from the unaudited condensed consolidated interim consolidated financial statements of the Company for the periods presented:

SUMMARY OF QUARTERLY RESULTS

For the three months ended (in thousands of USD)	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**
Net loss	$ (6,943)	$ (6,569)	$ (40,413)	$ (46,743)
Basic and diluted loss per share [(1)]	$ (0.09)	$ (0.10)	$ (0.69)	$ (25.74)
Total assets	$ 328,305	$ 337,880	$ 304,758	$ 345,613

For the three months ended (in thousands of USD)	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Net loss	$ (9,398)	$ (4,114)	$ (15,431)	$ (46,218)
Basic and diluted loss per share [(1)]	$ (5.17)	$ (2.27)	$ (8.50)	$ (25.45)
Total assets	$ 371,121	$ 339,964	$ 308,429	$ 314,429

[(1)] During 2016, the Company had a 1/100 share consolidation whereby, as the first step of the Company restructuring process in Canada, the number of shares outstanding were reduced from 181,607,492 to 1,816,066.

STATEMENTS OF OPERATIONS

(in thousands of United States Dollars except for shares and per share amounts, unaudited)	*For the three months ended June 30,* 2017	2016	*For the six months ended June 30,* 2017	2016
Expenses				
Selling, general and administrative expenses	**$ 4,701**	$ 1,360	**$ 8,170**	$ 2,117
Operations care and maintenance expenses	**-**	3,540	**-**	8,798
Operating loss	**(4,701)**	(4,900)	**(8,170)**	(10,915)
Unrealized foreign exchange gain/(loss)	**(127)**	14,028	**(894)**	24,275
Other expense	**(531)**	(330)	**(2,139)**	(329)
Finance expense	**(33)**	(17,918)	**(112)**	(26,014)
Loss and impairment from investment in associates	**(1,250)**	-	**(1,587)**	-
Loss before income taxes	**(6,642)**	(9,120)	**(12,902)**	(12,983)
Deferred income tax expense	**301**	278	**610**	529
Net loss	**$ (6,943)**	$ (9,398)	**$ (13,512)**	$ (13,512)
Basic and diluted loss per share	**$ (0.09)**	$ (5.17)	**$ (0.19)**	$ (7.44)

For the three months ended June 30, 2017

Selling, general and administrative ("SG&A") expenses

SG&A expenses during the three months June 30, 2017 and 2016 were $4,701 and $1,360, respectively, and primarily related to payroll, fees and professional services expenses of the Company.

Operations care and maintenance expenses

Operational care and maintenance expenses during the three months June 30, 2017 and 2016 were $0 and $3,540, respectively, and primarily related to the continued capitalization of such operating expenses resulting from the current development activities of the Company and in particular those related to Itafos Arraias.

Unrealized foreign exchange gain (loss)

Unrealized foreign exchange gain (loss) during the three months ended June 30, 2017 and 2016 was a loss of $127 and a gain of $14,028, respectively, and primarily related to foreign exchange conversion on R$ denominated monetary balances. During the quarter ended March 31, 2017 the functional currency was changed to USD. Consequently, the foreign exchange gain (loss) was reduced.

Other income (expenses)

Other expenses during the three months ended June 30, 2017 and 2016 were $531 and $330, respectively, and primarily related to late payment penalties on unpaid payroll taxes in Brazil and changes in other provisions.

Loss and impairment from investment in associates

Loss from investments in associates during the three months ended June 30, 2017 and 2016 was $1,250 and $0, respectively, and primarily related to equity pick-up losses from STG and GBL of $747 and impairment on STG of $503. There was no investment in associates as of June 30, 2016.

Finance expenses

Finance expenses during the three months ended June 30, 2017 and 2016 were $33 and $17,918, respectively, and primarily related to interest expense on long-term debt related to Canadian and Brazilian debentures.

Deferred income tax expenses

Deferred income tax expenses during the three months ended June 30, 2017 and 2016 were $301 and $278, respectively, and primarily related to unrealizable withholding tax credits.

For the six months ended June 30, 2017

Selling, general and administrative (“SG&A”) expenses

SG&A expenses during the six months ended June 30, 2017 and 2016 were $8,170 and $2,117, respectively, and primarily related to payroll, fees and professional services expenses of the Company.

Operations care and maintenance expenses

Operational care and maintenance expenses during the six months ended June 30, 2017 and 2016 were $0 and $8,798, respectively, and primarily related to the continued capitalization of such operating expenses resulting from the current development activities of the Company and in particular those related to Itafos Arraias.

Unrealized foreign exchange gain (loss)

Unrealized foreign exchange gain (loss) during the six months ended June 30, 2017 and 2016, was a loss of $894 and a gain of $24,275, respectively, and primarily related to foreign exchange conversion on R$ denominated monetary balances. During the quarter ended March 31, 2017 the functional currency was changed to USD. Consequently, the foreign exchange gain (loss) was reduced.

Other income (expenses)

Other expenses during the six months ended June 30, 2017 and 2016 were $2,139 and $329, respectively, and primarily related to late payment penalties on unpaid payroll taxes in Brazil and changes in other provisions.

Loss from investment in associates

During the six months ended June 30, 2017, loss from investment in associates of $1,587 was primarily related to equity pick-up losses from STG and GBL of $1,084 and impairment on STG of $503. There was no loss from investment in associates during the six months June 30, 2016.

Finance expenses

Finance expenses of $112 and $26,014 during the six months ended June 30, 2017 and 2016, respectively, were primarily related to interest expense on long-term debt related to Canadian and Brazilian debentures.

Deferred income tax expenses

Deferred income tax expenses during the six months ended June 30, 2017 and 2016 were $610 and $529, respectively, and primarily related to unrealizable withholding tax credits.

5. FINANCIAL CONDITION

LIQUIDITY

The Company continues to focus on creating more efficient operations to maximize margins and to fund development activities and further growth. In addition to the equity financing raised in its private placement, management is pursuing further equity and/or debt financing to support the funding of strategic, general corporate and working capital requirements. Based on Itafos' strong capital base that has little to no financial leverage, combined with continued interest in its platform from a diverse set of potential investors, management does not anticipate any significant challenges to raise the financing it requires.

The following is a summary of liquidity and capital resources balances:

(in thousands of USD)	**June 30, 2017**	December 31, 2016
Cash	$ 9,372	$ 2,875
Accounts receivable	201	169
Inventories	4,236	481
Other current assets	2,053	3,212
Accounts Payable and accrued liabilities (adjusted)	(6,154)	(5,212)
Provisions	(550)	(975)
Current debentures	(498)	(340)
Other current liabilities	(2,288)	(2,387)
Working Capital	6,372	(2,177)

Cash as at June 30, 2017 and December 31, 2016 was $9,372 and $2,875, respectively. In 2017, the Company generated $32,840 from financing activities due to net proceeds from the issuance of shares and debt financing.

The following chart outlines significant changes in the consolidated balance sheet:

(in thousands of USD)	**June 30, 2017**	December 31, 2016
Summary Balance Sheet		
Current assets	$ 15,862	$ 6,737
Non-current assets	312,443	298,021
Total Assets	**328,305**	**304,758**
Current liabilities	24,550	23,047
Non-current liabilities	14,191	12,101
Total Liabilities	**38,741**	**35,148**
Shareholders; equity	289,564	269,610
Total Liabilities and Equity	**328,305**	**304,758**

Total assets were $328,305 at June 30, 2017, approximately $23,547 higher than December 31, 2016, primarily reflecting the net increase of Assets under construction of $15,275 and Cash of $6,497. Total Liabilities at June 30, 2017 totaled $38,741, approximately $3,593 higher than December 31, 2016, primarily reflecting the increase of Accounts payable of $1,869 and Other long-term liabilities of $1,541 related to the re-commissioning activities during the six months ended June 30, 2017.

As of June 30, 2017, the Company did not have any off-balance sheet arrangements.

CAPITAL RESOURCES

On March 9, 2017, the Company completed a private placement of shares (the "Offering") at a price of C$2.10 and received net proceeds of $32,840, after deducting transaction costs. This amount includes the conversion of $3,000 through the issuance of 1,906,541 shares to settle the Zaff Note. The net proceeds of the Offering are being used to fund the recommissioning of Itafos Arraias, for working capital and general corporate and strategic purposes.

Pala Investments Limited ("Pala") subscribed to 6,348,000 shares under the Offering and now beneficially owns 6,348,000 shares (approximately 8.0% of the issued and outstanding shares on an undiluted basis). Per the terms of the Offering, the Company and Pala have entered into an investor rights agreement pursuant to which the Company has granted Pala the right to designate one nominee to the Company's board of directors. That right is conditioned to Pala holding 5.0% or more of the Company's outstanding shares (on an undiluted basis). Pala is an experienced investor in the mining sector with a strong track record of successful investments and value creation. Pala's team has extensive experience in project development, financing, construction and expansion projects. Pala seeks to assist companies in which it has long-term shareholdings by providing strategic support in those areas.

Zaff, a related party of the Company, subscribed to 8,388,781 shares under the Offering and received 1,906,541 shares at a price of C$2.10. Those shares settled an outstanding cash advance of $3,000 made to the Company on February
23, 2017. Zaff beneficially owns, or exercises control or direction over 49,882,498 shares (approximately 62.89% implemented on August 1, 2017) of the issued and outstanding shares.

A director of the Company subscribed to 25,000 shares and an executive officer of the Company subscribed to 32,000 shares under the Offering. The director's subscription and the executive officer's subscription constitute related party transactions under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Investments ("MI 61-101") and TSXV Policy 5.9. The Company has relied on the formal valuation exemption in section 5.5(a) of MI 61-101 and the minority approval exemption in section 5.7(a) of MI 61-101 on the basis that neither the fair market value of the shares distributed to the director or the executive officer nor the consideration to be received for the shares exceeded 25.0% of the Company's market capitalization at the time of the director's or the executive officer's subscription.

The TSX Venture Exchange (the "TSXV") had granted conditional approval of the listing of the shares issued under the Offering and final approval of the shares for debt transaction. Final TSXV approval of the Offering is subject to compliance with the customary requirements of the TSXV. The shares issued by the Company will be subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation and TSX Venture Exchange requirements.

Share capital as at June 30, 2017 was $407,348 and $374,508 as at June 30, 2017 and December 31, 2016, respectively. The following shares, debentures and restricted share units of the Company were outstanding as at June 30, 2017:

	Expiry Date	Exercise Price	Securities Outstanding	Shares on Exercise
Shares	-	-	79,318,507	79,318,507
Canadian convertible debentures [2]	October 27, 2026	C$25.00	147,648	147,648
Restricted share units	-	-	1,565,730	1,565,730

[2] In October 2016, Zaff and Banco Modal S.A. received, in the form of debentures ("Canadian Convertible Debentures"), a combination of shares and restructured debt of the Company. The Canadian Convertible Debentures mature in 10 years and with respect to the principal amount thereof only, are convertible into shares of the Company at a price per share equal to the greater of: (i) C$25.00; and (ii) if applicable, the closing market price of shares on the TSXV for the most recent trading day preceding the eleventh business day following the date on which shares commence trading on the TSXV, subject to TSXV approval.

On July 28, 2017 Zaff LLC assigned to Banco Modal S.A. C$1,753 of the C$2,584 convertible debenture issued by the Company to Zaff LLC on October 27, 2016 (the "Zaff Debenture"). Following the assignment, the parties agree to amend, restate and break into two separate instruments the Zaff Debenture to reflect (i) Modal as the holder of C$1,753, and (ii) Zaff as the holder of C$831. In addition, the Company and Banco Modal S.A. agreed to further amend and restate the C$1,107 convertible debenture issued by the Company to Banco Modal S.A. on October 27, 2016 and the C$1,753 convertible debenture assigned by Zaff LLC to Banco Modal S.A. to reduce the term from 10 years to 4 years and to reduce the interest rate from 10% to 7.5%

FOREIGN EXCHANGE

During the quarter ended March 31, 2017, the Brazilian subsidiaries changed their functional currency from R$ to USD based on Itafos Arraias recommencing development activities and based on the financing of the entity. The parent entity and other subsidiaries have changed from CAD to USD based on the location of the head office operations and financing of the entity. The CAD to USD exchange rate no longer has a significant impact on the Company, and as such, this metric will not be presented in the table below.

The following is a summary of the changes in foreign exchange rates during the respective periods and the related impact on the financial statements:

	For the three months ended June 30,		*For the six months ended June 30,*	
	2017	2016	**2017**	2016
R$ strengthening (weakening) against USD	**(5.63)%**	10.90%	**(1.60)%**	23.80%
Unrealized foreign exchange gain (loss)	**$ (127)**	$ 14,028	**$ (894)**	$ 24,275
Cumulative translation gain (loss)	**$ 551**	$ (4,617)	**$ 626**	$ (3,761)

The total foreign exchange loss of $127 and $894 for the three and six months ended June 30, 2017, respectively, was primarily comprised of unrealized foreign exchange loss resulting from translating monetary items denominated in R$.

CASH FLOW INFORMATION

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands of USD)	**2017**	2016	**2017**	2016
Cash flows used in operating activities	**$ (8,712)**	$ (2,084)	**$ (11,393)**	$ (2,626)
Cash flows used in investing activities	**(9,098)**	(300)	**(15,017)**	(300)
Cash flows from financing activities	**-**	2,439	**32,840**	3,014
Foreign currency effect on cash	**164**	(22)	**67**	(45)
Increase in cash	**$ (17,646)**	$ 33	**$ 6,497**	$ 43

For the three months ended June 30, 2017

Operating activities

Cash flows used in operating activities amounted to $8,712 and $2,084 for the three months ended June 30, 2017 and 2016, respectively, primarily due to higher SG&A expense during the ramp-up period.

Investing activities

Cash flow used in investing activities amounted to $9,098 and $300 for the three months ended June 30, 2017 and 2016, respectively, primarily due to recommissioning of Itafos Arraias.

Financing activities

During the three months ended June 30, 2017 and 2016, the Company generated $0 and $2,439, respectively, from financing activities due to net proceeds from the issuance of shares and debt financing.

For the six months ended June 30, 2017

Operating activities

Cash flows used in operating activities amounted to $11,393 and $2,626 for the three months ended June 30, 2017 and 2016, respectively, primarily due to higher SG&A expense during the ramp-up period.

Investing activities

Cash flow used in investing activities amounted to $15,017 and $300 for the three months ended June 30, 2017 and 2016, respectively, primarily due to recommissioning of Itafos Arraias.

Financing activities

During the three months ended June 30, 2017 and 2016, the Company generated $32,840 and $3,014, respectively, from financing activities due to net proceeds from the issuance of shares and debt financing.

CONTRACTUAL OBLIGATIONS

The table below provides a breakdown of the Company's contractual obligations as at June 30, 2017:

(in thousands of USD)	Within 1 year	Years 2 and 3	Years 4 and 5	After 5 years	Total
Accounts payable and accrued liabilities	$ 21,214	$ -	$ -	$ -	$ 21,214
Provisions	550	-	-	1,006	1,556
Canadian debentures	498	550	550	1,460	3,058
Brazilian debentures and warrants	2,288	412	412	999	4,111
	$ 24,550	$ 962	$ 962	$ 3,465	$ 29,939

6. INCOME TAXES

On October 27, 2016, the Company re-domiciled to the Cayman Islands, which resulted in a 0% Cayman statutory tax rate. Prior to October 27, 2016, the Company's combined Canadian federal and provincial statutory tax rate was 26.5%. Several factors affect the Company's effective tax rate. Those factors include the rate differential and proportion of income earned in each jurisdiction, tax benefits that were not recognized, foreign currency gains and losses and changes in tax rates. Thus, the Company's effective tax rate may fluctuate from period to period.

The interpretation of tax regulations and legislation and their application to the Company's business is complex and subject to change. Accordingly, the Company's ability to realize future income tax assets could significantly affect net income or cash flow in future periods.

7. ECONOMIC TRENDS IN THE PHOSPHATE FERTILIZER MARKETS

During the second quarter, global phosphate prices weakened and producer margins were squeezed, primarily related to sluggish demand and new supply coming online in Saudi Arabia and Morocco, from strong levels seen earlier in the year. As the newly added capacity ramps up in the second half of 2017, there will be continued pressure on phosphate prices globally even though demand in the key markets of India and Latin America continues to be strong. It will be interesting to follow the development of the Chinese fertilizer market, where talks of export curtailment to protect natural resource base and shut down of inefficient plants could help improve over supply situation. Brazil is a key market for the Company and is a net importer of fertilizer. The global supply and demand and trade flows of fertilizer does impact the pricing for fertilizer in the domestic market.

SSP prices are driven off import SSP cost parity and nutrient parity. Although there is a premium embedded in the SSP prices related to the calcium and gypsum content, the SSP prices do follow prices for TSP or MAP in Brazil as farmers will look at equivalent cost of delivering the same nutrients to their farms.

According to the National Association of Fertilizer Producers – Brazil (ANDA), total consumption of fertilizer in Brazil for 2016 was 34.1 million tons. This represents an increase of 12.8% over the 30.2 million tons consumed in 2015. ANDA forecasts that fertilizer consumption for 2017 will grow to 34.9 million tons.

One key driver of fertilizer consumption in Brazil is the growth of the agriculture sector. According to the Ministry of Agriculture (MAPA), Brazilian agribusiness exports in 2016 totaled $84.93 billion. That represented a decrease of approximately 3.7% compared to 2015, when exports reached $88.22 billion. The trade balance was a $71.31 billion surplus, a decrease of approximately 5.1% compared to 2015, when the trade surplus was at $75.15 billion. The five contributors of Brazilian agribusiness exports for 2016 were soy, meat, sugar (including ethanol), forest products and coffee, consistent with 2015. It is worth noting that in 2016 sugar had a significant increase of 32% in dollar amount which partially offset decreases recorded among the other four exports. The latest survey of grains for 2016-2017 conducted by Brazil National Supply Company (CONAB) in April 2017 indicated that Brazil's annual soybean production is estimated to increase from 95.4 million tons in 2015/2016 to 110.2 million tons in 2016/2017, representing a growth of 15%. Total planted area for grains in Brazil for the 2016/2017 harvest is estimated to reach 60.1 million hectares, up from 58.3 million in 2015/ 2016. Soybean crop is estimated to occupy the most area with 56.1% of total area, a slight decrease from 57.0% recorded in 2015 with corn gaining a bit of market share from 27.3% to 28.4%. Despite reductions in the dollar amount caused primarily by reduced commodity prices, the figures continue to demonstrate the strength of the Brazilian agribusiness sector and its competitiveness internationally. The Brazilian economy depends on agribusiness as a major revenue earner and contributor of surplus to the economy.

The ability of farmers to access financing at affordable levels is another key driver for fertilizer demand. Crop financing, known as "Plano Agricola e Pecuario," will amount R$200 billion for the period 2017/2018, increasing from the previous year's R$185.5 billion. Although negative outlooks and macroeconomics have stabilized, Brazil still appears to be on a long recovery path. Nonetheless, the importance of the agricultural sector for the Brazilian economy remains intact as it is responsible for approximately 20% of the country's GDP. The Plano Agricola e Pecuario initiative allows credit lines to be available for Brazilian farmers to invest in food production and supplies. The money can be used for the purchases of fertilizers, equipment and the improvement of infrastructure in rural properties. As it stands, interest rates for loans related to support costs of production are set at 7.5% annually for medium-sized producers and infrastructure development while at 8.5% annually for large producers. Interest rates have decreased when compared to last year's plan as the Brazilian central bank continues to ease its monetary policy. At present, the country's lending rate is currently at 9.25%. The funds are provided by governmental lending institutions to assist in the funding, investment and marketing of the agricultural sector. According to the former Agriculture Minister Abreu, in the next ten years, Brazil will increase crop production by 50 million tons and meat production by 8 million tons "without any pressure on resources natural such as land and water."

8. BUSINESS RISKS AND UNCERTAINTIES

There were no significant changes to the Company's exposure to risks and other uncertainties as described in this MD&A and for the year ended December 31, 2016.

9. CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. Based on the Company's knowledge and assessment of events, the Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse effect on the financial condition of the Company. The Company continues to monitor its legal

contingencies for proper and accurate reporting.

10. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates are deemed critical if the Company's financial condition, change 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 consolidated financial statements of future periods. Please refer to Notes 2 and 3 within the interim financial statements for further details.

11. DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its filings under Canadian securities legislation is recorded, processed, summarized and reported in a timely manner. The system of disclosure controls and procedures includes, among other things, the Company's Code of Business Conduct and Ethics policies, the review and approval procedures of the Disclosure Committee and continuous review and monitoring procedures by senior management. Both the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated the design of the Company's disclosure controls and procedures as at June 30, 2017, pursuant to the requirements of National Instrument 52-109. There has been no change in the Company's disclosure controls and procedures during the period from January 1, 2017 to June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in the rules of the Canadian Securities Administrators. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with accounting principles generally accepted in Canada for external purposes.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the President and CEO and the CFO, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or

detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control.

The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

QUALIFIED PERSON

Unless otherwise indicated, the responsible qualified person, within the guidelines set forth in NI 43-101, who has reviewed and approved the scientific and technical information contained in this MD&A is Carlos Guzmán, FAusIMM (229036), Mining Engineer, RM (Chilean Mining Commission).

12. OTHER DISCLOSURES

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains ‘‘forward-looking information” within the meaning of applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein may constitute forward-looking information, including any information as to the Company’s strategy, vision, plans or future financial or operating performance. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects”, “is expected”, “estimates”, “intends”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

In particular, forward-looking information included in this MD&A includes, without limitation, statements with respect to:

- the Company’s vision and goal to become an integrated producer of phosphate based fertilizers and related products;
- the Company’s current estimate of mine life stipulated in the Itafos Arraias Technical Report and its potential increase;
- the Company’s expectations related to resources and reserves stipulated in the Itafos Arraias Technical Report;
- the Company’s ability and evaluation efforts towards increasing the mine life at Itafos Arraias and respective expansion strategy;
- the Company’s ability to carry out any action plan;
- the Company’s ability to get into production from development phase;

- the Company's expectations around the growth of Brazilian and global fertilizer markets in the foreseeable future and changes in fertilizer and phosphate prices;
- the Company's expectations that the Itafos Santana Project, together with Itafos Arraias, have the potential to make the Company one of the largest SSP producers in Northern Brazil and the second largest SSP producer in Brazil;
- the Company's expectation that consumption of SSP in the Company's target area for Itafos Arraias will be sufficient to absorb competitively the entirety of the Company's output and the Company's expectations of higher average selling price; and
- the Company's expectation about the review of the strategic initiatives regarding other Itafos' projects.

The forward-looking information contained in this MD&A is based on the opinions, assumptions and estimates of management set out herein, which are reasonable as at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include:

- future agricultural imports and exports and fertilizer market in Brazil;
- general economic and industry growth rates;
- exploration, development and operating risks;
- environmental risks and hazards;
- risks regarding current global financial conditions;
- uncertainty with respect to the estimation of mineral reserves and mineral resources;
- uncertainty with respect to inferred mineral resources;
- fluctuations in commodity prices, fertilizer market strength and SSP prices; infrastructure risks;
- the Company's ability to obtain all necessary permits;
- insurance and uninsured risks;
- risks relating to potential disputes to the Company's title to its properties;
- the possibility that the Company's concessions may be terminated in certain circumstances;
- competition with other companies possessing greater financial and technical resources than the Company;
- risks relating to additional capital requirements;
- currency fluctuations;
- potential write-downs and impairments;
- litigation risks;
- risks relating to a potential sale or disposition or dilution of ownership of certain assets by the Company;
- risks relating to governmental regulation of the mining industry;
- risks relating to the Company's foreign operations;
- risks relating to labor, employment and other workforce matters;
- risks relating to the transfer of cash and assets to and from the Company's foreign subsidiaries;
- the Company's dependence upon key management personnel and executives;
- possible conflicts of interests of the Company's directors and executive officers;
- risks relating to potential malicious acts of destruction to the Company's property;
- risks relating to weather and climate change;
- volatility with respect to the Company's stock price and the ability to maintain a listing on a stock exchange;
- uncertainty with respect to current or pending litigation;
- uncertainty with respect to the commercial viability of phosphate ore deposits;
- uncertainty with respect to mine development and completion;
- uncertainty with respect to the accuracy of estimates and findings for the Itafos Arraias SSP Operations; and

- operating risks, political risks and credit risks.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The reader is cautioned not to place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and the Company's plans and objectives and may not be appropriate for other purposes.

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