Management Discussion and Analysis of Operations and Financial Condition
For the three and nine months ended September 30, 2018

ITAFOS

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MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

All figures are in thousands of US Dollars ("$"). Unless otherwise specified, all financial information in this Management Discussion and Analysis of Operations and Financial Condition ("MD&A") is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and is presented in accordance with International Accounting Standard 34 – Interim Financial Reporting and Interpretations issued by the International Financial Reporting Interpretations Committee. This MD&A is effective as of November 14, 2018 and should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 (the "Consolidated Financial Statements"). A copy of this MD&A and additional information relating to the Company is available online under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Cautionary statements regarding forward-looking information, mineral reserves and mineral resources are included in this MD&A (see Section 13).

1. GENERAL COMPANY INFORMATION

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

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

- Itafos Conda – a vertically integrated phosphate fertilizer business with production and sales capacity of approximately 550kt per year of monoammonium phosphate ("MAP"), superphosphoric acid ("SPA"), merchant grade phosphoric acid ("MGA") and specialty products including ammonium polyphosphate ("APP") located in Idaho, US;
- Itafos Arraias – a vertically integrated phosphate fertilizer business with production and sales capacity of approximately 500kt per year of single superphosphate ("SSP") located in Tocantins, Brazil;
- Itafos Paris Hills – a phosphate mine project located in Idaho, US;
- Itafos Farim – a phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Santana – a vertically integrated phosphate fertilizer project located in Pará, Brazil;
- Itafos Araxá – a phosphate and rare earth oxide mine project located in Minas Gerais, Brazil; and
- Itafos Mantaro – a phosphate mine project located in Junin, Peru.

The Company's principal shareholder is CL Fertilizers Holding LLC ("CLF"), formerly known as Zaff LLC (see Section 7). CLF is an affiliate of Castlelake L.P., a global private investment firm (see Note 23 in the Consolidated Financial Statements).

The Company's shares trade on the TSX Venture Exchange ("TSXV") under the trading symbol "IFOS". The Company's registered office is at Ugland House, Grand Cayman, Cayman Islands KY1-1104.

2. HIGHLIGHTS

ITAFOS CONDA ACQUISITION

On January 12, 2018, the Company completed the acquisition of Itafos Conda from Agrium, Inc. ("Agrium"), a wholly-owned subsidiary of Nutrien Ltd. The transaction included a MAP offtake agreement whereby Agrium purchases 100% of MAP produced by Itafos Conda through 2023 and an ammonia supply agreement whereby Agrium supplies 100% of ammonia required by Itafos Conda through 2023.

The consideration for the acquisition included a base purchase price of $66,500 plus a working capital adjustment based on the value of inventories and other assets as of the closing. The Company preliminarily recorded the consideration for the acquisition as $115,140 considering an estimated $108,640 of inventories and other assets as of the closing and $6,500 of property plant and equipment. At closing, the Company paid $66,500 in cash and preliminarily recorded a working capital adjustment of $48,640 to be settled against 25% of all receivables from the MAP offtake agreement from the closing until the liability is satisfied. Post closing, the Company and Agrium agreed that the value of the inventories and other assets as of the closing was $102,356. The working capital adjustment reduced the preliminary consideration for the acquisition and resulted in a receivable due from Agrium, which was paid in September 2018.

The Company accounted for the acquisition of Itafos Conda as a business combination. The Company is in process of fair valuing its acquisition of Itafos Conda. The consideration for the acquisition was primarily based on the Company's view of the future cash flows expected to be generated by Itafos Conda and future cash requirements for Itafos Conda to continue to operate and fulfill its environmental and asset retirement obligations. When determining the consideration for the acquisition, the Company primarily considered the discounted cash flow valuation methodology taking into account a range of scenarios and sensitivities. As a part of the Company's process of fair valuing the net assets acquired, the Company engaged a third party to conduct an independent appraisal. The third party's independent appraisal process considers various valuation methodologies in addition to the discounted cash flow methodology for the net assets acquired. In this regard, the independent appraisal determined the preliminary value of $6,500 allocated by the Company to property, plant and equipment to be below fair value.

As a result, the preliminary values of property, plant and equipment recorded by the Company have been revised upward to reflect a fair value of $57,678. The Company further revised the value of inventories and other assets to reflect the agreed working capital adjustment and to include an estimated $11,000 of spare parts. The revised fair values of these assets resulted in an excess book basis compared to the tax basis. Accordingly, the Company has recognized deferred tax liabilities of $11,151 calculated considering the excess book basis and a statutory tax rate of 26.8%. The revised assessment of the fair values of the net assets acquired results in a net gain on fair valuation of Itafos Conda of $51,027.

The Company will finalize the fair values of the net assets acquired on or before December 31, 2018.

Details of the preliminary and revised purchase price allocation of the net assets acquired on the transaction are as follows:

(unaudited in thousands of US Dollars)		*Revised* January 12, 2018		*Preliminary* January 12, 2018
Base purchase price	$	66,500	$	66,500
Working capital adjustment		42,356		48,640
Total consideration for net assets	**$**	**108,856**	**$**	**115,140**
Fair value of assets acquired and liabilities assumed:				
Property, plant and equipment		57,678		6,500
Inventories and other assets		113,356		108,640
Deferred tax liabilities		(11,151)		–
Net assets acquired	**$**	**159,883**	**$**	**115,140**
Gain on fair valuation of Itafos Conda, net	**$**	**51,027**	**$**	**–**

DIRECTOR APPOINTMENT

On January 12, 2018, the Company appointed Ron Wilkinson to the Board of Directors of the Company. Mr. Wilkinson retired from Agrium in February 2016 after a career spanning 40 years in the fertilizer industry. He served as Senior Vice President and President of Agrium's Wholesale Business Unit from 2004 through September 2015. In this role Mr. Wilkinson was responsible for manufacturing operations for 12 production sites, along with the associated supply chain, sales, marketing and distribution. Prior to this role, he held various positions of increasing responsibility with Agrium, Viridian, Sherritt and Imperial Oil/Exxon Chemical. Mr. Wilkinson has served on various boards, including the Canadian Fertilizer Institute, Profertil S.A. and Canpotex. Mr. Wilkinson holds a Bachelor of Science Degree in Chemical Engineering from the University of Alberta.

GBL ACQUISITION

On February 27, 2018, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of GB Minerals Ltd. ("GBL"), the owner of Itafos Farim.

The purchase price for the acquisition, executed through a plan of arrangement ("the GBL Arrangement") under the Business Corporations Act (British Columbia) was $48,874. $25,539 of the purchase price was paid in cash at closing and $23,335 of the purchase price was paid with an issuance of 11,301,732 shares of the Company. The Company accounted for the acquisition of GBL as an asset acquisition.

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

(unaudited in thousands of US Dollars)		February 27, 2018
Cash	$	25,539
Shares		23,335
747,948,785 common shares of GBL (68.7% interest)	$	48,874
Total consideration for net assets (100%)	$	**71,185**
Fair value of assets acquired, and liabilities assumed		
Mineral properties	$	81,224
Cash and cash equivalents		2,898
Other current assets		488
Property, plant & equipment		206
Notes payable		(11,976)
Accounts payable and accrued liabilities		(1,547)
Other long-term liabilities		(108)
Net assets acquired	**$**	**71,185**

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

CHIEF FINANCIAL OFFICER RESIGNATION AND APPOINTMENT

On April 4, 2018, the Company announced the resignation of Rafael Rangel as Chief Financial Officer ("CFO") and the appointment, by the Board of Directors of the Company, of George Burdette to serve as CFO. Mr. Burdette comes to Itafos with over 12 years of corporate development, financial, commercial and investment management experience. Mr. Burdette led or supported over $8 billion of acquisitions, divestitures, mergers and financings in the US and in various emerging markets. Prior to joining Itafos, he was head of Americas project finance at First Solar where he was responsible for project financing and commercial initiatives in the U.S., Latin America, and South Africa. Prior to First Solar, Mr. Burdette had a range of experience in private equity and corporate roles at both Zaff Capital and AEI. Mr. Burdette holds a Bachelor of Arts in International Business and French from Wofford College and an International Master of Business Administration from the University of South Carolina.

FINANCINGS

On June 6, 2018, the Company closed a $165,000 secured term credit facility (the "Facility") with a syndicate of lenders (including CLF). The Facility is guaranteed by certain of the Company's subsidiaries. The Facility is further secured by certain of the Company's direct and indirect interests in certain of the Company's subsidiaries and certain of the other assets of the Company and its subsidiaries. The Facility accrues interest at a per annum rate of 10% commencing on June 6, 2018 until December 6, 2019, with 50% payable in cash and 50% payable in-kind, and 12% thereafter with 75% payable in cash and 25% payable in-kind. Cash interest is payable on the 15^{th} day of each March, June, September, and December until the Facility matures on June 6, 2022. In-kind interest is capitalized into the principal on the 15^{th} day of each March, June, September, and December until maturity, if not paid in cash, at the Company's discretion. The Company also has the ability to pay in-kind interest at any time prior to maturity. There are no required principal payments until the scheduled maturity. The Company may make principal payments prior to the maturity date; however, the Company would incur prepayment penalties if principal payments are made prior to June 6, 2021. The Company also issued 2,750,000 shares to the syndicate of lenders of the Facility, of which 527,072 were issued to CLF (see Note 13 in the Consolidated Financial Statements).

ITAFOS CONDA PLANT TURNAROUND

During Q2 2018, Itafos Conda completed its planned plant turnaround on schedule and within budget. During the plant turnaround, Itafos Conda incurred $10,586 of costs, which will be deferred and depreciated over the period benefited (see Notes 3 and 8 in the Consolidated Financial Statements).

ITAFOS ARRAIAS COMMERCIAL PRODUCTION AND EFFICIENCY IMPROVEMENT PLAN

The Company completed the recommissioning of Itafos Arraias in July 2017 on schedule and began ramping up production with an initial objective to achieve commercial production by year end 2017. Due to efforts to resolve technical issues identified during the recommissioning, improve operational efficiencies and other factors (e.g., a longer and harder than expected rainy season and related power outages in the region) achieving commercial production was delayed. Accordingly, the Company revised its objective to achieve commercial production by year end 2017 to the end of Q2 2018. The Company defines the commencement of commercial production as the date that an asset has achieved a consistent level of production, evidenced by 30 consecutive days of sustainable production at 75% capacity utilization. On July 3, 2018, Itafos Arraias achieved commercial production by meeting the capacity utilization metric (see Note 2 in the Consolidated Financial Statements).

Despite having achieved commercial production, Itafos Arraias experienced operational challenges in Q3 2018 resulting in lower than optimal levels of capacity utilization. As is typical in the ramp-up of new phosphate fertilizer production, the Company continues to focus on improving Itafos Arraias' operations with particular focus on improving mass yield, P_2O_5 recovery and overall product quality. To achieve these goals, the Company has developed and is implementing an efficiency improvement plan (the "Efficiency Improvement Plan") to address the technical issues underlying the operational challenges. While the Efficiency Improvement Plan is in process, the Company expects Itafos Arraias to operate at below optimal levels of capacity utilization; however, the Company further expects Itafos Arraias to continue production, to deliver on its existing order book and to continue product sales initiatives. The Company expects to complete the Efficiency Improvement Plan and Itafos Arraias to operate at optimal levels of capacity utilization by year end 2019.

3. PROJECTS

Key highlights of the Company's businesses and projects are as follows:

Item	Itafos Conda	Itafos Arraias	Itafos Paris Hills	Itafos Farim	Itafos Santana	Itafos Araxá	Itafos Mantaro
Itafos ownership	100%	96.8%	100%	100%	99.4%	100%	100%
Location	Idaho, US	Tocantins, Brazil	Idaho, US	Farim, Guinea-Bissau	Pará, Brazil	Minas Gerais, Brazil	Junin, Peru
Status	Operating business	Operating business	Near-term project	Near-term project	Mid-term project	Mid-term project	Mid-term project
Reserves[1]	Under review	64.8Mt at avg. 5.1% P_2O_5	16.7Mt at avg. 29.5% P_2O_5	44.0Mt at avg. 30.0% P_2O_5	45.5Mt at avg. 12.9% P_2O_5	N/A	N/A
Measured and indicated resources (including reserves)[1]	Under review	79.0Mt at avg. 4.9% P_2O_5	90.1Mt at avg. 25.1% P_2O_5	105.6Mt at avg. 28.4% P2O5	60.4Mt at avg. 12.0% P2O5	6.4Mt at avg. 8.4% P2O5	39.5Mt at avg. 10.0% P2O5
Inferred resources[1]	Under review	12.7Mt at avg. 3.9% P_2O_5	14.0Mt at avg. 25.0% P_2O_5	37.6Mt at avg. 27.7% P_2O_5	26.6Mt at avg. 5.6% P_2O_5	21.9Mt at avg. 7.9% P_2O_5	376.3Mt at avg. 9.0% P_2O_5
Mine life	Under review	19 years	19 years	25 years	32 years	Pending feasibility	Pending feasibility
Products	MAP, SPA, MGA and APP	SSP and excess sulfuric acid	Phosphate rock	Phosphate rock	SSP and excess sulfuric acid	Phosphate rock and rare earth oxides	Phosphate rock
Production and sales capacity	550kt per year	500kt per year	1.0Mt per year	1.3Mt per year	500kt per year	Pending feasibility	Pending feasibility

OPERATING BUSINESSES

The Company owns and operates the following operating businesses:

Itafos Conda

Itafos Conda is a vertically integrated phosphate rock mine and fertilizer business located in Idaho, US. Itafos Conda is 100% owned by the Company and has been operating for over 30 years. Itafos Conda has production and sales capacity of approximately 550kt per year of MAP, SPA, MGA and APP serving the North American fertilizer markets.

Itafos Conda owns the Itafos Rasmussen Valley and Itafos Lanes Creek phosphate ore mines located within approximately 15 miles from the production facilities with an estimated mine life through 2024. Itafos Conda's resources are under review.

The Company is actively working on extending Itafos Conda's current mine life through the safe and responsible execution of its development portfolio and other alternatives. The Company's development portfolio includes nearby development projects, Itafos Paris Hills (located within approximately 35 miles from Itafos Conda's production facilities) and Itafos Husky I/North Dry Ridge ("Itafos H1NDR") (located within approximately 19 miles from Itafos Conda's production facilities). Itafos Paris Hills' property encompasses an area of approximately 1,010 hectares and consists of three patented lode mining claims and 21 contiguous fee parcels. Itafos H1NDR's property encompasses an area of more than 1,000 acres and consists of two federal and one state phosphate leases that are being permitted as a single mine. Both Itafos Paris Hills and Itafos H1NDR are 100% owned by the Company and are located near the center of the western phosphate field, which comprises the most extensive phosphorite beds in the US and has one of the highest-grade phosphate deposits in the world.

Itafos Conda averages over 2.0Mt of mined phosphate ore annually. The phosphate ore is conventionally open pit mined by a third party operator on a cost plus basis and transported by truck and rail to the production facilities. Approximately

[1] Latest respective technical reports are filed on SEDAR.

40% of sulfuric acid is produced internally with the remainder purchased from third parties together with sulfur at pricing tied to respective benchmarks. Ammonia is purchased from Agrium pursuant to an ammonia supply agreement at pricing tied to a phosphate benchmark.

Itafos Conda's operational flexibility offers multiple options to deliver P_2O_5 value to the North American fertilizer markets. Itafos Conda partners with leading crop services companies that have the trust of the grower market and who have the infrastructure to reach the maximum number of growers within the target sales region. Itafos Conda sells 100% of its MAP production to Agrium pursuant to a MAP offtake agreement with pricing tied to a phosphate benchmark. Itafos Conda is one of three key US producers of SPA. SPA, MGA and APP are sold to crop input retailers who re-sell to end users.

As at September 30, 2018, Itafos Conda had 263 employees and 221 contractors (mostly from third party mining operator).

Itafos Arraias

Itafos Arraias is a vertically integrated phosphate rock mine and fertilizer business located in Tocantins, Brazil. Itafos Arraias is 96.8% owned by the Company and achieved commercial production on July 3, 2018 (see Note 2 in the Consolidated Financial Statements). Itafos Arraias has production and sales capacity of approximately 500kt per year of SSP serving the Brazilian fertilizer markets, making it the largest fully integrated SSP operation in Brazil. Itafos Arraias also sells its excess sulfuric acid production.

Itafos Arraias owns the Itafos Near Mine, Itafos Canabrava and Itafos Domingos phosphate ore mines located within approximately 10 miles from production facilities with reserves representing a 19 year mine life. Phosphate ore is conventionally open pit mined by a third party operator on a cost per tonne basis and transported by truck to the production facilities. Sulfuric acid is produced internally with sulfur purchased from third parties at pricing tied to sulfur benchmarks. Ammonia is purchased from third parties at pricing tied to ammonia benchmarks.

Itafos Arraias' resource highlights[2] are as follows:

Itafos Arraias	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Reserves	64.8	5.1	3.3
Measured and indicated resources (including reserves)	79.0	4.9	3.9
Inferred resources	12.7	3.9	0.5

Itafos Arraias sells 100% of its SSP domestically to various national and regional blenders, trading companies and large farmers. Excess sulfuric acid production is sold into local sulfuric acid markets.

As at September 30, 2018, Itafos Arraias had 270 employees and 359 contractors (mostly from third party mining operator).

NEAR-TERM PIPELINE

The Company owns and is developing the following near-term projects:

Itafos Paris Hills

Itafos Paris Hills is a high grade phosphate rock mine project located in Idaho, US. Itafos Paris Hills is 100% owned by the Company and is currently in feasibility stage. Itafos Paris Hills is expected to produce 1.0Mt of phosphate rock per year and to be integrated into Itafos Conda.

Itafos Paris Hills owns phosphate ore mines located within approximately 35 miles from Itafos Conda's production facilities with reserves representing a 19 year mine life. The property encompasses an area of approximately 1,010 hectares and

[2] The latest technical report for Itafos Arraias titled "Updated Technical Report Itafos Arraias SSP Project, Tocantins State, Brazil" and dated as of March 27, 2013 is filed under the Company's profile on SEDAR.

consists of three patented lode mining claims and 21 contiguous fee parcels. The property is located near the center of the western phosphate field, which comprises the most extensive phosphorite beds in the US and has one of the highest-grade phosphate deposits in the world.

Itafos Paris Hills' resource highlights[3] are as follows:

Itafos Paris Hills - Lower Zone	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Reserves	16.7	29.5	4.9
Measured and indicated resources (including reserves)	29.8	30.0	8.9
Inferred resources	4.6	29.9	1.4

Itafos Paris Hills - Upper Zone	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Measured and indicated resources	60.3	22.7	13.7
Inferred resources	9.4	22.6	2.1

Given the early stage of Itafos Paris Hills, fluctuations in commodity prices and lapse in time since the latest technical report for the project was prepared on January 18, 2013, the realizable value of the project may differ from the conclusions drawn in such latest technical report.

Itafos Farim

Itafos Farim is a high grade phosphate rock mine project located in Farim, Guinea-Bissau. Itafos Farim is 100% owned by the Company and is currently in feasibility stage. Itafos Farim is expected to produce 1.3Mt of phosphate rock per year for global export.

Itafos Farim owns phosphate ore mines with reserves representing a 25 year mine life. The property consists of a high grade sedimentary phosphate deposit of one continuous phosphate bed extending over a known surface area of approximately 40km^2. The project has access to existing infrastructure including 70km of paved road covering the majority of the route from the site to a port that will be constructed and owned by the Company.

Itafos Farim's resource highlights[4] are as follows:

Itafos Farim	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Reserves	44.0	30.0	13.2
Measured and indicated resources (including reserves)	105.6	28.4	30.0
Inferred resources	37.6	27.7	10.4

Given the early stage of Itafos Farim, fluctuations in commodity prices and lapse in time since the latest technical report for the project was prepared on September 14, 2015, the realizable value of the project may differ from the conclusions drawn in such latest technical report.

MID-TERM PIPELINE

The Company owns and is developing the following mid-term projects:

Itafos Santana

Itafos Santana is a high grade integrated phosphate rock mine and SSP fertilizer project located in Pará, Brazil. Itafos Santana is 99.4% owned by the Company and is in feasibility stage. Itafos Santana is expected to have production and

[3] The latest technical report for Itafos Paris Hills titled "NI 43-101 Technical Paris Hills Project" and dated as of January 18, 2013 is filed under STG's profile on SEDAR.
[4] The latest technical report for Itafos Farim titled "NI 43-101 Technical Report on the Farim Phosphate Project" and dated as of September 14, 2015 is filed under GBL's profile on SEDAR.

sales capacity of 500kt per year of SSP to serve the Brazilian fertilizer markets.

Itafos Santana owns phosphate ore mines with reserves representing a 32 year mine life. The property consists of approximately 235,150 hectares in close proximity to existing infrastructure.

Itafos Santana's resource highlights[5] are as follows:

Itafos Santana	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Reserves	45.5	12.9	5.9
Measured and indicated resources (including reserves)	60.4	12.0	7.2
Inferred resources	26.6	5.6	1.5

Given the early stage of Itafos Santana, fluctuations in commodity prices and lapse in time since the latest technical report for the project was prepared on October 28, 2013, the realizable value of the project may differ from the conclusions drawn in such latest technical report.

Itafos Araxá (Brazil)

Itafos Araxá is a phosphate rock and rare earth oxide mine project located Minas Gerais, Brazil. Itafos Araxá is 100% owned by the Company and is in pre-feasibility stage. Itafos Araxá is expected to produce phosphate rock and rare earth oxides to serve the Brazilian fertilizer markets.

Itafos Araxá owns phosphate ore mines with reserves to be determined in definitive feasibility. The property consists of approximately 214 hectares in close proximity to existing infrastructure.

Itafos Araxá's resource highlights[6] are as follows:

Itafos Araxá	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Measured and indicated resources	6.4	8.4	0.5
Inferred resources	21.9	7.9	1.7

Given the early stage of Itafos Araxá, fluctuations in commodity prices and lapse in time since the latest technical report for the project was amended and restated on January 25, 2013, the realizable value of the project may differ from the conclusions drawn in such latest technical report.

Itafos Mantaro (Peru)

Itafos Mantaro is a large phosphate rock mine project located in Junin, Peru. Itafos Mantaro is 100% owned by the Company and is in pre-feasibility stage. Itafos Mantaro is expected to produce phosphate rock to serve producers of phosphate based fertilizers.

Itafos Mantaro owns phosphate ore mines with reserves to be determined in definitive feasibility. The property consists of approximately 12,800 hectares in close proximity to existing infrastructure.

[5] The latest technical report for Itafos Santana titled "Feasibility Study – Santana Phosphate Project Pará State, Brazil" and dated as of October 28, 2013 is filed under the Company's profile on SEDAR.
[6] The latest technical report for Itafos Araxá titled "A Preliminary Economic Assessment in the form of an Independent Technical Report on MBAC Fertilizer Corp. – Araxa Project" dated October 1, 2012 as amended and restated January 25, 2013 is filed under the Company's profile on SEDAR.

Itafos Mantaro's resource highlights[7] are as follows:

Itafos Mantaro - West Zone	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Measured and indicated resources	39.5	10.0	4.0
Inferred resources	376.3	9.0	33.9

Itafos Mantaro's resources have upside potential from East Zone and Far East Zone, which are collectively estimated to contain 705-725Mt at an average grade of 9-9.5% P_2O_5.

Given the early stage of Itafos Mantaro, fluctuations in commodity prices and lapse in time since the latest technical report for the project was amended and restated on February 21, 2010, the realizable value of the project may differ from the conclusions drawn in such latest technical report.

4. STRATEGY AND OUTLOOK

STRATEGY

The Company is a vertically integrated phosphate based fertilizers and specialty products company with an attractive portfolio of long-term strategic businesses located in key fertilizer markets worldwide. The Company's mission is to be a leading pure-play, geographically diverse and vertically integrated phosphate based fertilizers and specialty products company creating value for all its stakeholders in a responsible and economically sustainable manner.

The Company expects to achieve its mission by executing the following strategy:

- owning and operating vertically integrated phosphate based fertilizers and specialty products businesses that produce and sell products that its customers need;
- optimizing its underlying portfolio, including mitigating its critical risks and maximizing cash flow over the life of the businesses; and
- positioning the Company to meet its markets' increasing demand for phosphate based fertilizers and specialty products.

In executing this strategy, the Company will focus on:

- applying and maintaining technical, environmental, health, safety and governance best practices and excellence;
- producing, marketing and selling its phosphate based fertilizers and specialty products through a combination of short to long-term contracts and wholesale market spot sales to crop retailers, farmers, producers and other offtakers;
- managing its key inputs and other fixed expenses to reduce overall costs to produce, market and sell its phosphate based fertilizers and specialty products;
- developing and maintaining, together with its management teams, market knowledge and strong relationships with local governments, regulators, communities, employees, offtakers, suppliers, etc.;
- maintaining a flexible capital structure with moderate levels of debt; and
- investing capital at attractive rates of return into brownfield and greenfield development projects and acquisitions of new businesses.

[7] The latest technical report for Itafos Mantaro titled "NI 43-101 Technical Report on Mantaro Phosphate Deposit" dated February 21, 2010 is filed under STG's profile on SEDAR.

OUTLOOK

Itafos Conda

On January 12, 2018, the Company completed the acquisition of Itafos Conda (see Note 4 in the Consolidated Financial Statements). The acquisition of Itafos Conda is a unique investment opportunity that is consistent with the Company's strategy and is immediately transformational. Itafos Conda has been operating for over 30 years and further diversifies the Company's portfolio through geography, project development stage and business characteristics. Itafos Conda is strategically positioned in southeast Idaho, in close proximity to key North American fertilizer markets. Itafos Conda owns the Itafos Rasmussen Valley and Itafos Lanes Creek phosphate ore mines with a combined expected mine life through 2024. Currently, the Company is working on extending Itafos Conda's current mine life through the safe and responsible execution of its development portfolio and other alternatives. The Company's development portfolio includes nearby development projects, Itafos Paris Hills (located within approximately 35 miles from Itafos Conda's production facilities) and Itafos H1NDR (located within approximately 19 miles from Itafos Conda's production facilities), which together with other alternatives, provide the Company with clear line of sight to achieve its objective of extending Itafos Conda's current mine life. In addition, the Company is currently focusing on the integration and optimization of Itafos Conda.

Itafos Arraias

In July 2017, the Company completed the recommissioning of Itafos Arraias. On July 3, 2018, Itafos Arraias achieved commercial production (see Note 2 in the Consolidated Financial Statements). Itafos Arraias is the largest fully integrated SSP operation in Brazil and is strategically positioned in the Cerrado region of Brazil, one of the fastest growing fertilizer markets in the world. Currently, the Company is focusing on implementing the Efficiency Improvement Plan to improve Itafos Arraias' mass yield, P_2O_5 recovery and overall product quality (see Section 2).

Itafos Paris Hills

On July 18, 2017, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of Stonegate Agricom Ltd. ("STG"), the owner of Itafos Paris Hills and Itafos Mantaro. Itafos Paris Hills is a high-grade phosphate rock mine project located approximately 35 miles from Itafos Conda. Itafos Paris Hills is one of the highest grade undeveloped phosphate rock mine projects in the world located in a mining friendly jurisdiction. The Company expects to produce phosphate rock at Itafos Paris Hills to supply Itafos Conda, which would extend the mine life of Itafos Conda by 19 years. Currently, the Company is focusing on finalizing permitting for Itafos Paris Hills and advancing integration efforts with Itafos Conda.

Itafos Farim

On February 27, 2018, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of GBL, the owner of Itafos Farim (see Note 4 in the Consolidated Financial Statements). Itafos Farim is a West African high-grade and low-cost phosphate rock mining project. Itafos Farim is one of the highest grade undeveloped phosphate rock mine projects in the world located near key infrastructure. Currently, the Company is focusing on finalizing permitting, pursuing offtake alternatives, selecting contractors and securing project financing for Itafos Farim.

Mid-Term Pipeline

The Company's mid-term pipeline consists of Itafos Santana, Itafos Araxá and Itafos Mantaro. Currently, the Company is focusing on advancing the project development of Itafos Santana and evaluating strategic alternatives for Itafos Araxá and Itafos Mantaro.

Corporate

On June 6, 2018, the Company closed the Facility. Of the $165,000 long-term debt financing, $90,000 was related to the exchange and settlement of promissory notes and related accrued interest issued during 2017 and Q1 2018 for short-term financing needs. The net proceeds of the Facility are being used to fund working capital and other cash requirements of Itafos Conda and Itafos Arraias, continued implementation of the Company's business development initiatives (including, but not limited to, Itafos Paris Hills and Itafos Farim) and other general corporate purposes (see Note 12 in the Consolidated Financial Statements).

5. OVERVIEW OF RESULTS

SUMMARY OF QUARTERLY RESULTS

For the three months ended September 30, 2018 and the prior three quarters, the Company's summary of quarterly results is as follows:

(unaudited in thousands of US Dollar except for per share amounts)	**September 30, 2018**	June 30, 2018	*Revised* March 31, 2018	*Original* March 31, 2018	December 31, 2017
Net income (loss)	**$ (9,135)**	$ 1,429	$ 62,023	$ 10,843	$ (7,936)
Basic income (loss) per share	**(0.06)**	0.01	0.47	0.08	(0.09)
Diluted income (loss) per share	**(0.06)**	0.01	0.46	0.08	(0.09)
Total assets	**$ 730,254**	$ 738,330	$ 661,001	$ 599,642	$ 421,291

The decrease in net income (loss) for the period ended September 30, 2018 is primarily due to the losses incurred at Itafos Arraias and interest expense related to the Facility. The increase in net income (loss) during Q2 2018 is primarily related to the operations at Itafos Conda. The increase in net income (loss) during Q1 2018 is primarily related to the net gain on fair valuation of Itafos Conda.

The increase in total assets during 2018 is due to the acquisitions of Itafos Conda and Itafos Farim in Q1 2018.

During Q2 2018, the Company revised the preliminary fair values for the Itafos Conda acquisition resulting in a $51,027 net gain during Q1 2018. Accordingly, the original summary of quarterly results presented for March 31, 2018 has been revised to reflect the $51,027 net gain and $153 of related adjustments (see Note 4 in the Consolidated Financial Statements).

For the three months ended September 30, 2017 and the prior three quarters, the Company's summary of quarterly results is as follows:

(unaudited in thousands of US Dollars except for per share amounts)	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net income (loss)	$ (8,963)	$ (6,943)	$ (6,569)	$ (40,413)
Basic and diluted income (loss) per share[8]	(0.11)	(0.09)	(0.10)	(0.69)
Total assets	$ 341,702	$ 328,305	$ 337,880	$ 304,758

Net income (loss) for 2017 was primarily related to the recommissioning and ramp-up of Itafos Arraias. Net income (loss) for the period ended December 31, 2016 was primarily related to the Company's restructuring process.

The significant increases in total assets during 2017 are primarily related to the increase in cash from the issuance of shares and short-term debt financing, as well as the increase in assets under construction.

6. STATEMENTS OF OPERATIONS

For the three and nine months ended September 30, 2018 and September 30, 2017, the Company's statements of operations were as follows:

(unaudited in thousands of US Dollars except for per share amounts)	*For the three months ended September 30,* **2018**	2017	*For the nine months ended September 30,* **2018**	2017
Revenues, net	**$ 76,282**	$ –	**$ 201,585**	$ –
Cost of goods sold	**71,366**	–	**167,993**	–
	$ 4,916	$ –	**$ 33,592**	$ –
Expenses				
Selling, general and administrative expenses	**$ 4,574**	$ 4,921	**$ 17,884**	$ 13,091
Operating income (loss)	**342**	(4,921)	**15,708**	(13,091)
Foreign exchange gain (loss)	**(748)**	(392)	**289**	(1,286)
Other income (expense), net	**(834)**	(1,489)	**(790)**	(3,628)
Gain on fair valuation of Itafos Conda, net	**–**	–	**51,027**	–
Finance income (expense), net	**(5,549)**	134	**(10,876)**	22
Warrant expense	**–**	(1,400)	**–**	(1,400)
Gain (loss) from investment in associates	**–**	(322)	**7,910**	(1,909)
Income (loss) before income taxes	**$ (6,789)**	$ (8,390)	**$ 63,268**	$ (21,292)
Current and deferred income tax expense	**2,346**	573	**8,950**	1,183
Net Income (loss) attributable to parent	**$ (9,135)**	$ (8,963)	**$ 54,318**	$ (22,475)
Net income (loss) attributable to non-controlling interest	**–**	–	**–**	–
Net Income (loss)	**$ (9,135)**	$ (8,963)	**$ 54,318**	$ (22,475)
Basic earnings per share	**$ (0.06)**	$ (0.11)	**$ 0.39**	$ (0.30)
Fully diluted earnings per share	**$ (0.06)**	$ (0.11)	**$ 0.39**	$ (0.30)

[8] During 2016, the Company completed a 1/100 share consolidation whereby the number of shares outstanding was reduced from 181,607,492 to 1,816,066.

For the three months ended September 30, 2018

For the three months ended September 30, 2018 and 2017, revenues were $76,282 and $0, respectively (see Note 5 in the Consolidated Financial Statements). The revenues were related to Itafos Conda, which was acquired in January 2018 (see Note 4 in the Consolidated Financial Statements) and Itafos Arraias, which commenced commercial production in Q3 2018.

For the three months ended September 30, 2018, Itafos Conda's revenues were as follows:

(unaudited in thousands of US Dollars except for volumes and prices)	MAP	SPA[9]	MGA[10]	APP
Revenues, net	$ 28,809	$ 26,686	$ 263	$ 2,569
Volume (t)	64,335	28,793	281	5,988
Resulting price ($/t)	$ 448	$ 927	$ 936	$ 429

For the three months ended September 30, 2018, Itafos Arraias' revenues were as follows:

(unaudited in thousands of US Dollars except for volumes and prices)	SSP	Sulfuric acid
Revenues	$ 14,484	$ 3,471
Volume (t)	89,695	24,142
Resulting price ($/t)	$ 161	$ 144

For the three months ended September 30, 2018 and 2017, cost of goods sold were $71,366 and $0, respectively. The cost of goods sold were related to Itafos Conda, which was acquired in January 2018 (see Note 4 in the Consolidated Financial Statements) and Itafos Arraias, which commenced commercial production in Q3 2018.

Itafos Conda shipped SPA that was not received by its customers as at September 30, 2018. As such, based on the contract delivery terms, Itafos Conda will recognize $7,237 of revenue and $5,066 of related costs of goods sold as these shipments are received by its customers in future periods (see Note 3 in the Consolidated Financial Statements).

For the three months ended September 30, 2018 and 2017, selling, general and administrative expenses were $4,574 and $4,921, respectively. The decrease in selling, general and administrative expenses is primarily attributed to professional services related to the Canadian debentures in Q3 2017.

For the three months ended September 30, 2018 and 2017, foreign exchange gain (loss) was $(748) and $(391), respectively. The increase in foreign exchange gain (loss) is primarily attributed to fluctuations of the Brazilian Real.

For the three months ended September 30, 2018 and 2017, other income (expense) was $(834) and $(1,489), respectively. The net decrease in other income (expense) is primarily attributed to legacy labor and creditors matters in Brazil.

For the three months ended September 30, 2018 and 2017, finance income (expense) was $(5,549) and $134, respectively. The increase in finance income (expense) is primarily attributable to the Facility secured in Q2 2018.

For the three months ended September 30, 2018 and 2017, gain (loss) from investment in associates was $0 and $(322), respectively. The decrease in gain (loss) from investments in associates is due to the Company's non-controlling interests in GBL. The Company acquired all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company in GBL in February 2018 (see Note 4 in the Consolidated Financial Statements).

For the three months ended September 30, 2018 and 2017, current and deferred income tax expense was $2,346 and $573, respectively. The increase in current and deferred income tax expense is attributable to the provision for income tax for Itafos Conda (see Note 15 in the Consolidated Financial Statements).

[9] SPA volumes (t) and resulting price ($/t) are presented on a 100% P_2O_5 basis.

[10] MGA volumes (t) and resulting price ($/t) are presented on a 100% P_2O_5 basis.

For the nine months ended September 30, 2018

For the nine months ended September 30, 2018 and 2017, revenues were $201,585 and $0 respectively (see Note 5 in the Consolidated Financial Statements). The revenues were related to Itafos Conda, which was acquired in January 2018 (see Note 4 in the Consolidated Financial Statements) and Itafos Arraias, which commenced commercial production in Q3 2018.

For the nine months ended September 30, 2018, Itafos Conda's revenues were as follows:

(unaudited in thousands of US Dollars except for volumes and prices)	MAP	SPA[11]	MGA[12]	APP
Revenues, net	$ 96,051	$ 79,588	$ 263	$ 7,728
Volume (t)	226,199	87,290	281	17,925
Resulting price ($/t)	$ 425	$ 912	$ 936	$ 431

For the nine months ended September 30, 2018, Itafos Arraias' revenues were as follows:

(unaudited in thousands of US Dollars except for volumes and prices)	SSP	Sulfuric acid
Revenues	$ 14,484	$ 3,471
Volume (t)	89,695	24,142
Resulting price ($/t)	$ 161	$ 144

Itafos Arraias commenced commercial production in Q3 2018. As Itafos Arraias was in development stage for the six months ended June 30, 2018, its revenues for the six months ended June 30, 2018 were capitalized into property, plant and equipment.

For the nine months ended September 30, 2018 and 2017, cost of goods sold were $167,993 and $0, respectively. The cost of goods sold were related to Itafos Conda, which was acquired in January 2018 (see Note 4 in the Consolidated Financial Statements) and Itafos Arraias, which commenced commercial production in Q3 2018.

For the nine months ended September 30, 2018 and 2017, selling, general and administrative expenses were $17,884 and $13,091, respectively. The increase in selling, general and administrative expenses is due to the following:

- an increase in professional services related to acquisition activities, including $3,000 of advisory services related to the Itafos Conda acquisition in the Corporate segment (see Note 21 in the Consolidated Financial Statements);
- an increase in consulting fees related to information technology initiatives, including $1,384 related to enterprise resource planning system implementation in the Itafos Conda segment (see Note 21 in the Consolidated Financial Statements); and
- an increase in other consulting fees, including $1,155 related to support of Itafos Farim and Itafos Arraias in the Corporate segment (see Note 21 in the Consolidated Financial Statements);
- a decrease in other administrative expenses related to normal operations.

For the nine months ended September 30, 2018 and 2017, foreign exchange gain (loss) was $289 and $(1,286), respectively. The increase in foreign exchange gain (loss) is primarily attributed to fluctuations of the Brazilian Real.

For the nine months ended September 30, 2018 and 2017, other income (expense) was $(790) and $(3,628), respectively. The increase in other income (expense) is primarily attributed to legacy labor and creditors matters in Brazil.

For the nine months ended September 30, 2018 and 2017, finance income (expense) was $(10,876) and $22, respectively. The increase in finance income (expense) is primarily attributable to the interest on short-term promissory notes secured by the Company in Q1 2018 as well as the Facility secured in Q2 2018. The increase is net of $4,690 and $450, respectively of capitalized interest due to the ramp-up of Itafos Arraias (see Note 19 in the Consolidated Financial Statements).

[11] SPA volumes (t) and resulting price ($/t) are presented on a 100% P_2O_5 basis.

[12] MGA volumes (t) and resulting price ($/t) are presented on a 100% P_2O_5 basis.

For the nine months ended September 30, 2018 and 2017, gain (loss) from investment in associates $7,910 and $(1,909), respectively. The gain (loss) from investments in associates for the period represents a gain on the equity investment of GBL for the 31.3% of GBL owned prior to completing the GBL Arrangement and considers the transaction valuation over the carrying value (see Notes 4 and 11 in the Consolidated Financial Statements). The gain (loss) from investments in associates for the nine months ended September 30, 2017 was primarily related to equity losses from previous equity investments that the Company had in STG and GBL.

For the nine months ended September 30, 2018 and 2017, current and deferred income tax expense was $8,950 and $1,183, respectively. The increase in current and deferred income tax expenses for the period is primarily attributed to an increase in estimated tax payable provision for Itafos Conda (see Note 15 in the Consolidated Financial Statements).

7. NON-IFRS FINANCIAL MEASURES

The Company believes EBITDA and Adjusted EBITDA provide useful supplemental information to investors, analysts, lenders and others in order to evaluate the Company's operational and financial performance. EBITDA and Adjusted EBITDA do not have any standardized meaning under IFRS and may be calculated differently by other issuers. The Company defines "EBITDA" as earnings before interest, taxes, depreciation and amortization. The Company defines "Adjusted EBITDA" as EBITDA adjusted for non-cash, extraordinary, non-recurring and other items unrelated to the Company's core operating activities. The Company calculates EBITDA from net income (loss) and Adjusted EBITDA from both net income (loss) and operating income (loss). These non-IFRS financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with IFRS.

For the three months ended September 30, 2018 the Company had EBITDA and Adjusted EBITDA by operating segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Net income (loss)	**$ 9,018**	**$ (10,054)**	**$ (412)**	**$ (7,687)**	**$ (9,135)**
Finance (income) expense, net	145	135	–	5,269	5,549
Current and deferred income tax	2,077	–	–	269	2,346
Depreciation and depletion	1,694	4,196	–	13	5,903
EBITDA	**$ 12,934**	**$ (5,723)**	**$ (412)**	**$ (2,136)**	**$ 4,663**
Unrealized foreign exchange (gain) loss	–	151	42	13	206
Share-based payment (recovery) expense	–	–	–	(338)	(338)
Other (income) expense, net	(12)	851	–	(5)	834
Adjusted EBITDA	**$ 12,922**	**$ (4,721)**	**$ (370)**	**$ (2,466)**	**$ 5,365**

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Operating income (loss)	**$ 11,230**	**$ (8,522)**	**$ (259)**	**$ (2,107)**	**$ 342**
Depreciation and depletion	1,694	4,196	–	13	5,903
Realized foreign exchange gain (loss)	(2)	(395)	(111)	(34)	(542)
Share-based payment (recovery) expense	–	–	–	(338)	(338)
Adjusted EBITDA	**$ 12,922**	**$ (4,721)**	**$ (370)**	**$ (2,466)**	**$ 5,365**

For the three months ended September 30, 2017 the Company had EBITDA and Adjusted EBITDA by operating segment as follows:

(unaudited in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Net income (loss)	**$**	**–**	**$**	**(5,861)**	**$**	**(641)**	**$**	**(2,461)**	**$**	**(8,963)**
Finance (income) expense, net		–		48		–		(182)		(134)
Current and deferred income tax		–		–		–		537		573
Depreciation and depletion		–		33		–		8		41
EBITDA	**$**	**–**	**$**	**(5,780)**	**$**	**(641)**	**$**	**(2,062)**	**$**	**(8,483)**
Unrealized foreign exchange (gain) loss		–		283		(31)		140		392
Share-based payment (recovery) expense		–		–		–		149		149
Other (income) expense, net		–		1,540		47		(98)		1,489
(Gain) loss from investment in associates[13]		–		–		322		–		322
Adjusted EBITDA	**$**	**–**	**$**	**(3,957)**	**$**	**(303)**	**$**	**(1,871)**	**$**	**(6,131)**

(unaudited in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Operating income (loss)	**$**	**–**	**$**	**(2,590)**	**$**	**(303)**	**$**	**(2,028)**	**$**	**(4,921)**
Depreciation and depletion		–		33		–		8		41
Share-based payment (recovery) expense		–		–		–		149		149
Warrant expense		–		(1,400)		–		–		(1,400)
Adjusted EBITDA	**$**	**–**	**$**	**(3,957)**	**$**	**(303)**	**$**	**(1,871)**	**$**	**(6,131)**

For the nine months ended September 30, 2018 the Company had EBITDA and Adjusted EBITDA by operating segment as follows:

(unaudited in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Net income (loss)	**$**	**82,132**	**$**	**(12,411)**	**$**	**6,513**	**$**	**(21,916)**	**$**	**54,318**
Finance (income) expense, net		188		448		100		10,140		10,876
Current and deferred income tax		8,065		–		–		885		8,950
Depreciation and depletion		6,530		4,270		–		34		10,834
EBITDA	**$**	**96,915**	**$**	**(7,693)**	**$**	**6,613**	**$**	**(10,857)**	**$**	**84,978**
Unrealized foreign exchange (gain) loss		8		(1,219)		660		(253)		(804)
Share-based payment (recovery) expense		–		–		–		168		168
Other (income) expense, net		(46)		853		1		(18)		790
Gain on fair valuation of Itafos Conda, net		(51,027)		–		–		–		(51,027)
(Gain) loss from investment in associates[14]		–		–		(7,910)		–		(7,910)
Adjusted EBITDA	**$**	**45,850**	**$**	**(8,059)**	**$**	**(636)**	**$**	**(10,960)**	**$**	**26,195**

(unaudited in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Operating income (loss)	**$**	**39,315**	**$**	**(11,548)**	**$**	**(1,059)**	**$**	**(11,000)**	**$**	**15,708**
Depreciation and depletion		6,530		4,270		–		34		10,834
Realized foreign exchange gain (loss)		5		(781)		423		(162)		(515)
Share-based payment (recovery) expense		–		–		–		168		168
Adjusted EBITDA	**$**	**45,850**	**$**	**(8,059)**	**$**	**(636)**	**$**	**(10,960)**	**$**	**26,195**

[13] See Note 11 in the Consolidated Financial Statements.

[14] See Note 11 in the Consolidated Financial Statements.

For the nine months ended September 30, 2017 the Company had EBITDA and Adjusted EBITDA by operating segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Net income (loss)	**$ –**	**$ (12,628)**	**$ (2,345)**	**$ (7,502)**	**$ (22,475)**
Finance (income) expense, net	–	27	–	(49)	(22)
Current and deferred income tax	–	–	–	1,183	573
Depreciation and depletion	–	149	–	14	163
EBITDA	**$ –**	**$ (12,452)**	**$ (2,345)**	**$ (6,354)**	**$ (21,151)**
Unrealized foreign exchange (gain) loss	–	1,101	(31)	216	1,286
Share-based payment (recovery) expense	–	–	–	516	516
Other (income) expense, net	–	3,609	117	(98)	3,628
(Gain) loss from investment in associates[15]	–	–	1,909	–	1,909
Adjusted EBITDA	**$ –**	**$ (7,742)**	**$ (350)**	**$ (5,720)**	**$ (13,812)**

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Operating income (loss)	**$ –**	**$ (6,491)**	**$ (350)**	**$ (6,250)**	**$ (13,091)**
Depreciation and depletion	–	149	–	14	163
Share-based payment (recovery) expense	–	–	–	516	516
Warrant expense	–	(1,400)	–	–	(1,400)
Adjusted EBITDA	**$ –**	**$ (7,742)**	**$ (350)**	**$ (5,720)**	**$ (13,812)**

[15] See Note 11 in the Consolidated Financial Statements.

8. FINANCIAL CONDITION

LIQUIDITY

The Company continues to focus on improved efficiencies in operations to maximize margins as well as fund development activities and further growth. In addition to the Facility closed in Q2 2018, the Company will continue to pursue further equity and/or debt financing to support the funding of strategic and development capital requirements. Based on the Company's strong capital base combined with continued interest in its platform from a diverse set of potential investors, management does not anticipate any significant challenges in raising capital.

As at September 30, 2018 and December 31, 2017, the Company's liquidity and capital resource balances were as follows:

(unaudited in thousands of US Dollars)	**September 30, 2018**	December 31, 2017
Cash	**$ 27,247**	$ 63,677
Accounts receivable	**26,428**	116
Short-term investments	**2,091**	–
Inventories, net	**134,019**	8,277
Other current assets	**26,105**	9,005
Accounts payable and accrued liabilities	**(90,682)**	(16,937)
Current debt	**(302)**	(25,530)
Contract liabilities	**(3,141)**	–
Current debentures	**(1,185)**	(1,144)
Provisions	**(702)**	(542)
Working Capital	**$ 119,878**	**$ 36,922**

With the acquisition of Itafos Conda (a cash flow generating business) on January 12, 2018, the Company has further improved its operating and financial position.

On June 6, 2018, the Company closed the Facility. The promissory notes and related interest which were included in current debt as of December 31, 2017 were exchanged or settled with the closing of the Facility (see Note 13 in the Consolidated Financial Statements).

During Q1 2017, the Company received $29,840 from the issuance of shares through private placement and converted debt worth $3,000 to equity (see Note 17 in the Consolidated Financial Statements).

Management considered all the relevant information, as noted above, and concluded that there are no material uncertainties that would cast significant doubt upon the going concern assumption.

BALANCE SHEETS

As at September 30, 2018 and December 31, 2017, the Company's balance sheets were as follows:

(unaudited in thousands of US Dollars)		**September 30, 2018**		December 31, 2017
Assets				
Cash	**$**	**27,247**	$	63,677
Accounts receivable		**26,428**		116
Short-term investments		**2,091**		–
Inventories, net		**134,019**		8,277
Other current assets		**26,105**		9,005
Total current assets	**$**	**215,890**	$	81,075
Property, plant and equipment, net		**369,944**		263,427
Mineral properties		**132,345**		47,195
Investments in associates		**–**		15,074
Other non-current assets		**12,075**		14,520
Total non-current assets	**$**	**514,364**	$	340,216
Total assets	**$**	**730,254**	$	421,291
Liabilities				
Accounts payable and accrued liabilities	**$**	**90,682**	$	16,937
Contract liabilities		**3,141**		–
Current debt		**302**		25,530
Current debentures		**1,185**		1,144
Provisions		**702**		542
Other current liabilities		**–**		–
Total current liabilities	**$**	**96,012**	$	44,153
Long-term debt		**157,930**		–
Long-term debentures		**2,694**		3,769
Other liabilities		**–**		–
Deferred tax liabilities		**8,950**		–
Long-term provisions		**12,756**		2,952
Other long-term liabilities		**8,112**		8,818
Total long-term liabilities	**$**	**190,442**	$	15,539
Total liabilities	**$**	**286,454**	$	59,692
Equity				
Share capital		**515,029**		486,562
Contributed surplus		**246,626**		246,626
Cumulative translation adjustment reserve		**7,871**		8,455
Deficit		**(334,788)**		(389,106)
Equity attributable to shareholders of the parent	**$**	**434,738**	$	352,537
Non-controlling interest		**9,062**		9,062
Total equity	**$**	**443,800**	$	361,599
Total liabilities and equity	**$**	**730,254**	$	421,291

The increase in total current assets during the period is due to the following:

- $125,742 increase in inventories, of which $115,949 is due to the acquisition of Itafos Conda and the remainder is due to Itafos Arraias (See Note 7 in the Consolidated Financial Statements);
- $26,312 increase in accounts receivable primarily due to Itafos Conda revenues;
- $17,100 increase in other current assets is due to the following:
  - $18,069 increase in current assets at Itafos Conda such as mining prepaid expenses, other receivables and deposits and working capital adjustments to the purchase price for Itafos Conda (See Note 10 in the Consolidated Financial Statements);
  - $5,145 decrease due to elimination of promissory notes receivable from GBL upon consolidation (see Note 10 in the Consolidated Financial Statements); and
  - $4,176 increase in tax credits, advances to suppliers and other (see Note 10 in the Consolidated Financial Statements).

The increase in total non-current assets during the period is due to the following:

- $85,150 increase in mineral properties related to acquiring the remaining interests in GBL (see Note 9 in the Consolidated Financial Statements);
- $106,517 increase in plant, property and equipment related to acquisition of Itafos Conda and Itafos Farim and additions, net of accumulated depreciation (see Note 8 in the Consolidated Financial Statements);
- $15,074 decrease of investments in associates related to acquiring the remaining interests in GBL (see Note 11 in the Consolidated Financial Statements); and
- timing differences related to normal operations.

The increase in total current liabilities during the period is due to the following:

- $25,228 decrease in current debt is due to the extinguishment of $25,530 of promissory notes and related interest offset by $302 of interest accruals relating to the Facility (see Note 13a in the Consolidated Financial Statements);
- $24,796 increase in payables representing the balance of the liability to Agrium related to the Itafos Conda acquisition (see Note 4 in the Consolidated Financial Statements);
- $19,677 increase in trade payables is primarily attributable to the normal operations of Itafos Conda (see Note 12 in the Consolidated Financial Statements) and the phosphate ore supply agreement between Itafos Conda and subsidiary of Agrium (see Note 4 in the Consolidated Financial Statements);
- $18,028 increase in accrued liabilities and other is primarily comprised of $5,131 relating to mining costs, $5,129 relating to the mining services agreement with a subsidiary of Agrium and $7,382 relating to the normal operations of Itafos Conda (see Note 12 in the Consolidated Financial Statements);
- $10,266 increase in tax provision for Itafos Conda and change in other tax related liabilities (see Note 15 in the Consolidated Financial Statements);
- $3,141 primarily relating to advances received from customers of Itafos Arraias;
- $1,029 increase in rebates payable to Itafos Conda customers (see Note 12 in the Consolidated Financial Statements); and
- timing differences related to normal operations.

The increase in total long-term liabilities during the period is due to the following:

- $157,930 increase is due to the Facility including $302 in accrued interest;
- $8,950 increase in deferred tax liabilities related to the excess book basis compared to the tax basis resulting from the revised fair values of certain Itafos Conda assets (see Note 4 in the Consolidated Financial Statements);
- $9,804 increase in asset retirement obligations at Itafos Conda and Itafos Farim (see Note 16 in the Consolidated Financial Statements); and
- timing differences related to normal operations.

The increase in total equity during the period is due to the following:

- $23,335 issuance of shares related to the acquisition of the remaining interests in GBL (see Note 4 in the Consolidated Financial Statements);
- $5,132 due to issuance of bonus shares as a part of the Facility (see Note 13 in the Consolidated Financial Statements);
- $54,318 net income generated for the nine months ended September 30, 2018; and
- currency translation adjustments.

As at September 30, 2018 and December 31, 2017, the Company did not have any significant off-balance sheet arrangements.

CAPITAL RESOURCES

As at September 30, 2018, the Company's shares, Canadian debentures and restricted share units were as follows:

	Issue date		Exercise price	Securities outstanding	Shares on exercise
Shares	–	$	–	142,070,301	142,070,301
Canadian debentures	October 27, 2016		C$25.00	147,648	147,648
Restricted share units	–	$	–	2,924,166	2,924,166

The Company's principal shareholder is CLF, a Delaware limited liability company with offices in Minnesota, US. As at December 31, 2017, CLF beneficially owned and controlled 81,452,992 shares of the Company, representing approximately 63.6% of the issued and outstanding shares of the Company on an undiluted basis. As at September 30, 2018, CLF beneficially owned and controlled 81,980,064 shares of the Company, representing approximately 57.7% of the issued and outstanding shares of the Company on an undiluted basis. CLF is a related party (see Note 23 in the Consolidated Financial Statements).

On June 6, 2018, the Company issued 2,750,000 shares to the syndicate of lenders in connection with the closing of the Facility (see Notes 13 and 17 in the Consolidated Financial Statements).

On February 27, 2018, the Company issued 11,301,732 shares to GBL shareholders in connection with the acquisition of the remaining interests in GBL (see Note 4 in the Consolidated Financial Statements).

On July 28, 2017, CLF assigned to Modal C$1,753 of the C$2,584 convertible debenture issued by the Company to CLF on October 27, 2016 (the "CLF Debenture"). Following the assignment, the parties agreed to break the CLF Debenture into two separate instruments to reflect (i) Modal as the holder of C$1,753 and (ii) CLF as the holder of C$831. In addition, the Company and Modal agreed to amend Modal's convertible debentures of C$1,107 and C$1,753. The amendments reduced the term from 10 years to four years and reduced the interest rate from 10% to 7.5% (see Note 13 in the Consolidated Financial Statements).

FOREIGN EXCHANGE

On January 1, 2017, Itafos and various of its subsidiaries changed functional currencies from Canadian Dollars to US Dollars based on the change in location of the principal administrative office and the financing of the entities.

Also, on January 1, 2017, the Brazilian subsidiaries changed their functional currency from Brazilian Reals to US Dollars based on Itafos Arraias re-commencing development activities and considering the financing of the entities.

On February 27, 2018, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of GBL, the owner of Itafos Farim (see Note 4 in the Consolidated Financial Statements). GBL's functional currency is Canadian Dollars and the functional currency of its subsidiary Itafos Farim, Sarl (formerly known as GBM Minerais Sarl) is Central African Francs. The currency translation impact of such non-US Dollar currencies has been included in the Company's statements of comprehensive income (loss) or statements of operations, as applicable, in the Consolidated Financial Statements.

CASH FLOWS

For the nine months ended September 30, 2018 and September 30, 2017, the Company's cash flows were as follows:

(unaudited in thousands of US Dollars)		September 30, 2018		September 30, 2017
Operating activities				
Net income (loss)	$	54,318	$	(22,475)
Adjustments for the following items:				
Depreciation and depletion		10,834		163
Cash settlement of share-based payments		(140)		–
Share-based payment (recovery) expense		308		516
Current and deferred income tax expense		8,950		1,183
Gain on fair valuation of Itafos Conda, net		(51,027)		–
(Gain) loss from investment in associates		(7,910)		1,909
Unrealized foreign exchange (gain) loss		(804)		1,286
Finance (income) expense		10,876		(22)
Net change in non-cash working capital		(42,694)		(2,036)
Cash flows from operating activities	$	(17,289)	$	(19,476)
Investing activities				
Addition of property, plant and equipment and mineral properties	$	(43,445)	$	(26,918)
Acquisition of Itafos Conda		(66,500)		–
Cash received from Itafos Conda at acquisition		725		–
Acquisition of GBL		(25,539)		–
Issuance of note to GBL		(4,500)		(2,500)
Cash received from GBL at acquisition		2,898		–
Investment in associates		–		(725)
Short-term investments		(2,091)		–
Cash received from STG at acquisition		–		194
Cash flows from investing activities	$	(138,452)	$	(29,949)
Financing activities				
Proceeds from debt financing	$	132,671	$	14,500
Proceeds from debt financing subsequently settled with issuance of shares		–		3,000
Repayment of debt financing		(4,969)		–
Payment of interest expense		(6,240)		–
Payment of financing related cost		(2,079)		–
Net proceeds from issuance of shares		–		29,840
Cash flows from financing activities	$	119,383	$	47,340
Effect of foreign exchange of non-US Dollar denominated cash	$	(72)	$	105
Increase (decrease) in cash		(36,430)		(1,980)
Cash, beginning of period		63,677		2,875
Cash, end of period	$	27,247	$	895

The increase in operating cash flows is primarily the result of operations at Itafos Conda, which was acquired on January 12, 2018. The increase in net change in non-cash working capital is primarily related to the increase in payables representing the balance of the liability to Agrium related to the Itafos Conda acquisition. A significant portion of Company's net income for the nine months ended September 30, 2018 was attributable to non-cash gains driven from investing activities related to Itafos Conda and GBL (see Note 4 in the Consolidated Financial Statements).

The increased use of cash from investing activities was primarily driven by the acquisitions of Itafos Conda and GBL (see Note 4 in the Consolidated Financial Statements) and additions to plant, property and equipment.

The increased cash generated from financing activities was driven by the Facility secured in June 2018 (see Note 13a in the Consolidated Financial Statements).

CONTRACTUAL OBLIGATIONS

As at September 30, 2018, the Company's contractual obligations were as follows:

(unaudited in thousands of US Dollars)	Within 1 year	Years 2 and 3	Years 4 and 5	After 5 years	Total
Accounts payable and accrued liabilities	$ 90,682	$ –	$ –	$ –	**$ 90,682**
Provisions	702	–	–	12,756	**13,458**
Canadian debentures	928	617	681	320	**2,546**
Brazilian debentures	257	167	333	576	**1,333**
Long-term debt	–	–	167,362	–	**167,362**
Other non-current liabilities	–	85	–	–	**85**
Contractual obligations	**$ 92,569**	**$ 869**	**$ 168,376**	**$ 13,652**	**$ 275,466**

The Company's provisions are representative of the environmental and asset retirement obligations as well as legal contingencies that exist as at September 30, 2018. As at September 30, 2018, Itafos Conda and Itafos Arraias had environmental and asset retirement obligations of $10,039 and $2,603, respectively. Liabilities for costs are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated (see Note 16 in the Consolidated Financial Statements).

9. TAXES

INCOME TAXES

The Company calculates tax provisions for each of the jurisdictions in which it operates. Current and deferred income tax expense is based on the results for the period as adjusted for items that are not currently taxable or not deductible. Current and deferred income tax expense is calculated considering tax rates and laws that are prevailing at the end of the reporting period (see Note 15 in the Consolidated Financial Statements).

For the three and nine months ended September 30, 2018 and September 30, 2017, the Company had total current and deferred income tax expense and effective tax rates as follows:

	For the three months ended September 30,		*For the nine months ended September 30,*	
(unaudited in thousands of US Dollars)	**2018**	2017	**2018**	2017
Current income tax expense	**$ 2,807**	$ 50	**$ 10,320**	$ 50
Deferred income tax expense (income), net	**(461)**	523	**(1,370)**	1,133
Total current and deferred income tax expense	**$ 2,346**	$ 573	**$ 8,950**	$ 1,183

The Company is domiciled in the Cayman Islands and is subject a statutory income tax rate of 0%.

Itafos Conda is domiciled in the US and is subject to a statutory income tax rate of 26.8%, comprised of federal corporate income tax of 21% and state corporate income tax of 7.4%.

Itafos Arraias is domiciled in Brazil and is subject to a statutory income tax rate of 34%, comprised of federal corporate income tax of 25% and social contribution of 9%. The location of Itafos Arraias' assets makes it eligible to participate in a regional development program administered by the Superintendência do Desenvolvimento da Amazônia ("SUDAM"). Created in 1966 to promote development of the Amazon region in Brazil, SUDAM offers tax incentives that allow eligible companies to reduce the statutory income tax rate of 34% to 15.25% by means of a 75% discount to the 25% federal corporate income tax. The Company has commenced the application process and expects to complete the process by the end of 2018.

The Company calculates an estimated average annual effective tax rate for each of the jurisdictions in which it operates. For the three months ended September 30, 2018 and September 30, 2017, the Company had effective tax rates of (34.56)% and (6.83)%, respectively. For the nine months ended September 30, 2018 and September 30, 2017, the Company had effective tax rates of 14.14% and (5.56)%, respectively. The effective tax rate for the three and nine months ended September 30, 2018 compared to the three and nine months ended September 30, 2017 is primarily higher due to Itafos Conda income. Additionally, the effective tax rate for the current period is impacted by losses generated by Itafos Arraias, which commenced commercial production in Q3 2018.

The Company's effective tax rate may fluctuate from period to period due to factors including, but not limited to, 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. 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.

As at September 30, 2018 and December 31, 2017, the Company had total income tax liabilities as follows:

(unaudited in thousands of US Dollars)	**Balance sheet location**	**September 30, 2018**	December 31, 2017
Taxes payable	Accounts payable and accrued liabilities	**$ 10,786**	$ 466
Non-current deferred income tax liabilities	Deferred tax liabilities	**8,950**	–
Total income tax liabilities		**$ 19,736**	$ 466

DEFERRED TAX LIABILITIES

As a result of the excess book basis compared to the tax basis resulting from the revised fair values of certain Itafos Conda assets, the Company recognized deferred tax liabilities. These deferred tax liabilities will be utilized based on the consumption of inventory and depreciation of the property, plant and equipment over its useful life (see Note 4 in the Consolidated Financial Statements).

BRAZILIAN TAX ASSESSMENTS

During the latter part of 2017, the Company elected to participate in the Brazilian Special Program for Tax Regularization ("PERT") to settle various significant outstanding income tax assessments associated with its subsidiaries in Brazil. This commercial resolution provided financial certainty during a time of political volatility and economic reform in the country. In coming to the decision to participate, the Company analyzed the costs and risks involved in continued litigation versus the potential financial burden that would be incurred by not participating in the program and then being unsuccessful in reducing the income assessment via other means. Also contributing to the Company's decision is that access to governance by judicial courts has limitations, including the financial burden imposed on those who take their disputes through the courts, which requires a bond or other collateral to be posted. The judicial process in Brazil may require years to resolve, during which time legal fees accumulate and interest accrues. The Company believes these financial resources, along with management's time and effort, are better allocated to value-creating opportunities.

On October 25, 2017, PERT was formally enacted into law, substantially in the form passed by the legislature. The final program is a mix of the original provisional measure suggested by the executive branch and the proposed amendments by certain members of the legislative branch. The final program provided an option to use tax losses, pay one lump sum in early 2018 or pay monthly installment payments over 175 months. The Company elected to utilize tax losses to settle outstanding income tax assessments and is awaiting final confirmation from the Brazilian tax authorities.

10. TRENDS IN THE PHOSPHATE FERTILIZER MARKETS

GLOBAL MARKET

Supply and demand balance in benchmark phosphate fertilizer products, such as diammonium phosphate ("DAP") and MAP, is a key trend that the Company follows as these products are the basis for domestic pricing of phosphate based fertilizers both in the US and in Brazil. Key developments in global prices include:

- producers experienced some relief in 2018 after a low pricing environment in 2017, capped by relatively weak global consumption and concerns of possible oversupply by upcoming large projects in Morocco and Saudi Arabia;
- prices rebounded amid firm demand from the US, Europe, Africa and Australia, the annual turnarounds/port closures in Morocco, higher key inputs costs, and slow ramp-up of key new production; and
- the combination of high costs and limited spot availability should keep producers' expectations stable to firm through Q1 2019.

New Production

Generally, new phosphate fertilizer production has been ramping up slower than expected. Key developments in production additions to global supply include:

- the commissioning of OCP's JPH4 since June 2018, with production capacity of 1.0Mt/year;
- the ramp-up of Ma'aden's Wa'ad al Shamal project, with production capacity of 3.0Mt/year; and
- new capacity additions are expected by Eti Bakir's Mazidagi in Turkey, which has started commissioning with production capacity of 0.75Mt/year, and NCIC's Ain Sokhna in Egypt, expected to commence commercial scale in Q1 2019 with production capacity of 0.70Mt/year.

Shutdowns and Turnarounds

The impact of new phosphate fertilizer production has been overshadowed by supply being taken out or planned to be taken out of the market. Key developments in production reductions to global supply include:

- the shutdown of Mosaic's Plant City facility, which had production of approximately 1.5Mt/year of DAP, MAP and nitrogen phosphates;
- the mothballing in China of approximately 0.8Mt/year of finished capacity;
- the expected repositioning to non-phosphate production of Nutrien's Redwater facility, which has production capacity of approximately 0.6Mt/year of finished phosphates; and
- OCP is understood to be planning a large turnaround at is processing facilities in Jorf Lasfar. Up to 2.0Mt of granulated fertilizer capacity is expected to be out of commission for four to six weeks in Q4 2018 as the producer implements its optimization schedule[16].

Raw Materials

Raw materials have experienced firm pricing, owing to tight supply, but near-term prices are expected to soften. Key developments in raw materials prices include:

- global sulfur prices increased in early June 2018, supported by tightness in the Middle East, Europe and Russia and limited spot availability over Q3 2018 and into Q4 2018, however, tightness in the sulfur market is set to be alleviated towards the end of 2018, due to lower demand in China and increased global output;
- ammonia prices have continued to increase since June 2018, owing to higher natural gas prices in Europe, where some fertilizer producers have switched to importing ammonia rather than producing it; and

[16] Source: ICIS The Outlook Phosphates as of October 2018.

- ammonia prices are set to remain firm in Q4 2018 with new supply expected to pressure prices lower in early 2019, though the ammonia market is expected to tighten in the medium term, with standalone urea expansions set to outstrip ammonia capacity[17]. In Brazil, ammonia prices are expected to increase sharply as Petrobras continues to guide to shutdown of their domestic production unit which would leave Yara in control of the market.

US MARKET

The US phosphate fertilizer market has seen good demand through 2018 with steady price increases. Key developments for the US market include:

- price increases in 2018 were supported by changes in import movements and North American supplier plant curtailments; and
- with full warehouses in Q3 2018 heading into Q4, the market is primed for a good fall run with firm pricing and good fill opportunities, although forward Q4 US benchmark prices are slightly lower as the market comes out of planting season.

BRAZIL MARKET

Brazilian phosphate fertilizer demand growth is expected to remain healthy. Key developments for the Brazilian market include:

- the combination of the US and China trade war, devaluation of the Real, and improved farmer access to financing, offset in part by the truck drivers' strike from May 2018 through early June 2018, should boost fertilizer demand this year, with total fertilizer deliveries expected to rise approximately 3.8% in 2018 to 35.7Mt; and
- if sulfur prices remain high in 2019, there could be an increase in domestic SSP prices in Brazil as domestic producers import most of their sulfur needs.

11. BUSINESS RISKS AND UNCERTAINTIES

The information presented in Section "Business Risks and Uncertainties" of the Company's 2017 Annual MD&A is representative of the various risks facing the Company. Except as noted below, there have been no significant changes in the Company's risks since December 31, 2017.

With the acquisition of Itafos Conda and GBL, the Company is now operating in new jurisdictions. The Company may face compliance risks relating to regulations and new laws applicable to the new jurisdictions. Denials or delays in receiving permits and approvals or imposition of restrictive conditions with respect to these permits and approvals may impact the development of the project.

The Company is exposed to concentration of revenues as 100% of Itafos Conda's MAP revenues are currently generated from Agrium (see Note 4 in the Consolidated Financial Statements) and approximately 37% of its SPA revenues for the three months ended September 30, 2018 were generated from two key customers (see Note 5 in the Consolidated Financial Statements).

12. CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal, environmental, tax and other matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the reasonable estimates of the liability are available. Legal, environmental, tax and other matters are inherently complex requiring significant judgment in probable outcomes. Therefore, future adjustments to liabilities as well as costs and estimates may occur. Based on the Company's knowledge and assessment of the status of its operations, the Company does not believe that the outcome of any of the matters not recorded in the Consolidated Financial Statements,

[17] Source: CRU Phosphate Fertilizer Market Outlook as of October 2018.

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 to present them fairly in the Consolidated Financial Statements.

13. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated 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. Evaluations of estimates and judgments occur continuously. Estimates and judgments are based on historical experience and other factors including expectations of future events that are considered reasonable under the circumstances. If the Company's financial condition, 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, estimates are deemed critical. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

For further information on the Company's critical accounting estimates, see Notes 2 and 3 in the Company's last annual consolidated financial statements as at and for the year ended December 31, 2017 and Note 2 in the Consolidated Financial Statements. The accounting policies applied in the Consolidated Financial Statements are consistent with those applied in the Company's last annual consolidated financial statements as at and for the year ended December 31, 2017, with the exception of changes in accounting policies, effective January 1, 2018, described in Note 3 in the Consolidated Financial Statements.

14. 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.

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. 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 of procedures by management.

The Company's internal control over financial reporting includes:

- maintaining records that, in reasonable detail, accurately and fairly reflect the Company's transactions and dispositions of the assets of the Company;
- providing reasonable assurance that transactions are recorded as necessary for preparation of the Company's financial statements in accordance with generally accepted accounting principles;
- providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and
- providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on the Company's financial statements would be prevented or detected on a timely basis.

The Company has limited administrative staffing, and in many instances, the implementation of internal controls relying on segregation of duties is not always possible. During 2016, the restructuring measures undertaken by management as well as the continuation of the strategic review process resulted in higher than normal staff reductions and turnover. The Company continues to rely on management review and approval to ensure that the controls are effective.

Due to the acquisitions made in Q1 2018, new manual disclosure controls and procedures were designed to address new processes arising from the acquisitions. Management is currently in the process of instituting automated controls and aligning control processes across the organization. In the meantime, management is mitigating risks related to manual processes through increased oversight.

Except as noted above, there has been no change in the Company's disclosure controls and procedures during the period covered by this MD&A that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Both the Chief Executive Officer ("CEO") and the CFO have evaluated the design of the Company's disclosure controls and procedures as at the end of the period covered by this MD&A, pursuant to the requirements of National Instrument 52-109, and have concluded that as of such date, the Company's disclosure controls and procedures are effective at that reasonable assurance level. The Company's previous internal controls over financial reporting provided for the complexities of consolidating controlled entities and during the three months ended September 30, 2018, were tailored to provide further assurance that the consolidating and reporting of Itafos Conda and Itafos Farim were effected accordingly.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the CEO and 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 a control.

The design of any system 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 may not be detected.

15. OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Company's related party transactions include key management compensation and debt from CLF, its principal shareholder (see Note 21 in the Consolidated Financial Statements).

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 regarding Itafos Arraias, Itafos Santana and Itafos Araxa is Carlos Guzmán, FAusIMM (229036), Mining Engineer, RM (Chilean Mining Commission).

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 regarding Itafos Paris Hills is Dan Thompson, P.E.

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 regarding Itafos Farim is Dan Markovik, P.E.

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”.

Forward-looking information contained in this MD&A may include, without limitation, statements with respect to the Company’s:

- strategy and outlook;
- ability to carry out any action plan;
- ability to secure financing;
- current estimate and potential increase of mine life of its projects;
- expectations around resources and reserves, including those stipulated in technical reports;
- ability to continue to own and operate its operating projects;
- ability to sell its products;
- ability to develop its development projects;
- ability to obtain necessary permits and licenses;
- expectations around global macro factors;
- expectations around global fertilizer markets;
- expectations around asset retirement obligations and associated costs and credit risks;
- ability and evaluation efforts to extend Itafos Conda’s mine life;
- ability to complete the Itafos Arraias Efficiency Improvement Plan;
- expectations around Itafos Arraias’ production potential;
- ability to complete the development of Itafos Paris Hills;
- ability to complete the development of Itafos Farim;
- expectations about its intentions around its mid-term development pipeline; and
- expectations around fair valuing Itafos Conda.

The forward-looking information contained in this MD&A is based on the opinions, assumptions and estimates of management set out herein, which management believes are reasonable as at the date the statements are made. Those opinions, assumptions and estimates 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 risks and uncertainties relating to:

- future commodity prices;
- general economic and industry growth rates;
- exploration, development and operating risks;
- environmental risks and hazards;
- global financial conditions;
- uncertainty with respect to the estimation of mineral reserves and mineral resources;
- uncertainty with respect to inferred mineral resources;
- changes in the agriculture, fertilizer, commodity, raw material, energy, transportation and financial market conditions and prices;

- infrastructure risks;
- permitting and licensing;
- insurance and uninsured risks;
- 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;
- additional capital requirements;
- fluctuations in currency exchange rates;
- potential write-downs and impairments;
- timing and outcome of current and pending government and third party claims or lawsuits and other litigation risks;
- a potential sale or disposition or dilution of ownership of certain assets by the Company;
- changes in governmental policy and in environmental and other governmental regulation;
- the Company's foreign operations;
- trade tariffs;
- labor, employment and other workforce matters;
- 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;
- potential malicious acts of destruction to the Company's property;
- weather and climate change;
- volatility of the Company's stock price and the Company's ability to maintain a listing on a stock exchange;
- current or pending litigation;
- the commercial viability of phosphate ore deposits;
- mine development and completion;
- the accuracy of estimates and findings for the Company's projects; and
- operating risks, political risks and credit risks.

Although the Company has attempted to identify crucial 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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