ITAFOS

Management's Discussion and Analysis of Operations and Financial Condition
For the years ended December 31, 2018 and 2017

TABLE OF CONTENTS

MANAGEMENT'S 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's 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 ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee. This MD&A is effective as of April 4, 2019 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 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 and risks and uncertainties affecting the forward-looking information are included in this MD&A (see Section 11).

1. GENERAL COMPANY INFORMATION

Itafos (TSXV: IFOS) (the "Company") is a vertically integrated phosphate 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") and SSP with micronutrients ("SSP+") and approximately 40kt per year of excess sulfuric acid located in Tocantins, Brazil;
- Itafos Paris Hills – a phosphate mine project located in Idaho, US;
- Itafos Farim – a phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Santana – a vertically integrated phosphate fertilizer project located in Pará, Brazil;
- Itafos Araxá – a vertically integrated phosphate and rare earth oxide 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. CLF is an affiliate of Castlelake L.P., a global private investment firm (see Notes 1 and 28 of 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

FINANCIAL HIGHLIGHTS

For the years ended December 31, 2018 and 2017, the Company's financial highlights were as follows:

(in thousands of US Dollars except for per share amounts)	*For the years ended December 31,* **2018**	2017
Revenues, net	$ 302,182	$ –
Adjusted EBITDA[1]	34,137	(23,866)
Net income	(113,487)	(30,411)
Total assets	$ 576,419	$ 421,291
Total liabilities	304,640	59,692
Net debt[2]	152,088	(33,185)
Total equity	271,779	361,599
Basic loss per share	$ (0.82)	$ (0.39)
Fully diluted loss per share	$ (0.82)	$ (0.39)

For the years ended December 31, 2018 and 2017, Itafos Conda's sales volumes and prices were as follows:

	For the years ended December 31, **2018**	2017
Sales volumes (t)		
MAP	327,851	–
SPA[3]	128,369	–
MGA[4]	394	–
APP	26,527	–
Realized price ($/t)[5]		
MAP	439	–
SPA[6]	942	–
MGA[7]	985	–
APP	420	–

For the years ended December 31, 2018 and 2017, Itafos Arraias' sales volumes and prices were as follows:

	For the years ended December 31, **2018**	2017
Sales volumes (t)		
SSP	106,922	–
SSP+	23,134	–
Sulfuric acid	37,751	–
Realized price ($/t)[8]		
SSP	155	–
SSP+	158	–
Sulfuric acid	143	–

[1] Adjusted EBITDA is a non-IFRS measure (see Section 7).
[2] Net debt is a non-IFRS measure (see Section 7).
[3] SPA sales volumes (t) are presented on a 100% P_2O_5 basis.
[4] MGA sales volumes (t) are presented on a 100% P_2O_5 basis.
[5] Realized price ($/t) is a non-IFRS measure (see Section 7).
[6] SPA realized prices ($/t) are presented on a 100% P_2O_5 basis.
[7] MGA realized prices ($/t) are presented on a 100% P_2O_5 basis.
[8] Realized price ($/t) is a non-IFRS measure (see Section 7).

ITAFOS CONDA ACQUISITION

On January 12, 2018, the Company completed the acquisition of Itafos Conda from subsidiaries of Agrium, Inc. ("Agrium"), a wholly-owned subsidiary of Nutrien Ltd. In connection with the acquisition of Itafos Conda, certain other agreements were entered into as follows:

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

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

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

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

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

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

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

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

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 Company accounted for the acquisition of GBL as an asset acquisition.

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

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

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

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

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 15th day of each March, June, September, and December until the Facility matures on June 6, 2022. In-kind interest is capitalized into the principal on the 15th day of each March, June, September, and December until maturity, if not paid in cash, at the Company's discretion. The Company also has the ability to pay in-kind interest at any time prior to maturity. There are no required principal payments until the scheduled maturity. The Company may make principal payments prior to the maturity date; however, the Company would incur prepayment penalties if principal payments are made prior to June 6, 2021. 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 16 in the Consolidated Financial Statements).

ITAFOS CONDA PLANT TURNAROUND

During the first half of 2018, Itafos Conda completed its planned plant turnaround on schedule and within budget. During the plant turnaround, Itafos Conda incurred $10,602 of costs, which are being depreciated over the period benefited (see Notes 3 and 10 in the Consolidated Financial Statements).

ITAFOS ARRAIAS COMMERCIAL PRODUCTION AND REPURPOSE 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 4 in the Consolidated Financial Statements).

Despite having achieved commercial production, Itafos Arraias has experienced operational challenges post declaration of commercial production resulting in lower than optimal levels of capacity utilization. As is typical in the ramp-up of new phosphate fertilizer production capacity, the Company has been working to improve Itafos Arraias' operations with particular focus on improving mass yield, P_2O_5 recovery and overall product quality. To achieve these goals, the Company developed and implemented an efficiency improvement plan (the "Efficiency Improvement Plan") to address the technical issues underlying the operational challenges and to return Itafos Arraias to optimal levels of capacity utilization by year end 2019. While certain of the operational challenges have been resolved and the business has improved, the Efficiency Improvement Plan did not achieve the expected results.

After considering several alternatives, the Company decided to repurpose Itafos Arraias to optimize its finished fertilizer production with a multi-product portfolio of higher grade SSP, micronutrient SSP and value added premium PK compound products (the "Repurpose Plan"). To enable the Repurpose Plan, Itafos Arraias will procure higher-grade phosphate rock from third parties and, once operational, from Itafos Farim. The Repurpose Plan is expected to significantly enhance Itafos Arraias' competitive positioning and profitability while reducing its operational and environmental risk profile. In addition, Itafos Arraias recently completed its planned biannual sulfuric acid plant turnaround on schedule and within budget. The sulfuric acid plant was brought back online successfully and is being run to maximize the sale of excess sulfuric acid production to a growing industrial customer base and to continue to offset Itafos Arraias' energy requirements through its co-generation capabilities.

NORMAL COURSE ISSUER BID ("NCIB")

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

As at December 31, 2018, the Company did not repurchase any of its outstanding shares through the NCIB. As at April 4, 2019, the Company repurchased 1,478,500 of its outstanding shares through the NCIB (See Note 30 in the Consolidated Financial Statements).

IMPAIRMENTS

As at December 31, 2018, the Company's book value of net assets exceeded its market capitalization, which triggered an overall impairment assessment. As a result of the overall impairment trigger, the Company performed valuations to estimate the respective recoverable amounts of Itafos Conda, Itafos Arraias, Itafos Paris Hills, Itafos Farim and Itafos Santana in order to compare such respective estimated recoverable amounts to their respective carrying values. The Company did not perform valuations to estimate the respective recoverable amounts of Itafos Araxá and Itafos Mantaro due to de minimis respective carrying values. The Company concluded that the estimated respective recoverable amounts of Itafos Arraias, Itafos Farim and Itafos Santana were below their respective carrying values and therefore recorded respective impairments of $132,252, $11,239 and $3,136 (see Note 9 in the Consolidated Financial Statements). The impairment of Itafos Arraias was primarily due to the delay in ramp-up to optimal capacity utilization and associated capital expenditures and working capital requirements combined with lower projected run-rate EBITDA due to margin compression. The respective impairments of Itafos Farim and Itafos Santana were primarily due to the decline in multiples of comparable publicly traded companies and transactions during 2018.

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	Under review	Under review	44.0Mt at avg. 30.0% P_2O_5	Under review	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[9]	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	Under review	Under review	25 years	Under review	Pending feasibility	Pending feasibility
Products	MAP, SPA, MGA and APP	SSP, 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

The Company is in process of preparing a technical report for Itafos Conda. Given the lapse in time since the latest technical reports for Itafos Arraias, Itafos Paris Hills and Itafos Santana were prepared, the Company is in process of updating such technical reports to confirm reserve and resource estimates.

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. 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. Itafos Conda sells its SPA, MGA and APP to crop input retailers who re-sell to end users.

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

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. Itafos Conda owns the Itafos Rasmussen Valley and Itafos Lanes Creek phosphate ore mines located within approximately 15 miles from the production facilities. The Company is in process of preparing a technical report for Itafos Conda, including Itafos Rasmussen Valley and Itafos Lanes Creek.

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 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. The Company is in process of preparing a technical report for Itafos Conda, including Itafos Paris Hills and Itafos H1NDR.

Itafos Conda produces approximately 40% of its sulfuric acid requirements internally with the remainder of its sulfuric acid requirements purchased from third parties, together with sulfur, at pricing tied to respective benchmarks. Itafos Conda purchases 100% of its ammonia requirements from Agrium pursuant to an ammonia supply agreement at pricing tied to a phosphate benchmark.

As at December 31, 2018, Itafos Conda had 260 employees and 221 contractors (mostly from third party mining operator).

Itafos Arraias

Itafos Arraias is a vertically integrated rock mine and phosphate 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 4 in the Consolidated Financial Statements). Itafos Arraias has production and sales capacity of approximately 500kt per year of SSP and SSP+, making it one of the largest fully integrated SSP operation in Brazil. Itafos Arraias sells 100% of its SSP and SSP+ domestically to various national and regional blenders, trading companies and large farmers. Itafos Arraias also sells approximately 40kt per year of its excess sulfuric acid production into local sulfuric acid markets.

Itafos Arraias' 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. Itafos Arraias owns the Itafos Near Mine, Itafos Canabrava and Itafos Domingos phosphate ore mines located within approximately 10 miles from the production facilities.

Itafos Arraias' resource highlights[10] are as follows:

Itafos Arraias	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Measured and indicated resources	79.0	4.9	3.9
Inferred resources	12.7	3.9	0.5

Given the fluctuations in commodity prices and lapse in time since the latest technical report for Itafos Arraias was prepared on March 27, 2013, the realizable value of the business may differ from the conclusions drawn in such latest technical report. The Company is in process of updating such technical report to confirm reserve and resource estimates.

Itafos Arraias produces its sulfuric acid requirements internally with its sulfur requirements purchased from third parties at pricing tied to sulfur benchmarks. Itafos Arraias purchases ammonia from third parties at pricing tied to ammonia benchmarks.

[10] 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.

ITAFOS

As at December 31, 2018, Itafos Arraias had 284 employees and 243 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. The property encompasses an area of approximately 1,010 hectares and 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[11] are as follows:

Itafos Paris Hills - Lower Zone	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Measured and indicated resources	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 Itafos Paris Hills was prepared on January 18, 2013, the realizable value of the project may differ from the conclusions drawn in such latest technical report. The Company is in process of updating such technical report to confirm reserve and resource estimates.

Itafos Farim

Itafos Farim is a high grade and low-cost 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[12] 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

[11] 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.

[12] 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.

MID-TERM PIPELINE

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

Itafos Santana

Itafos Santana is a high grade vertically 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 sales capacity of 500kt per year of SSP to serve the Brazilian fertilizer markets. Itafos Santana is also expected to sell approximately 30kt per year of its excess sulfuric acid production into local sulfuric acid markets.

Itafos Santana owns phosphate ore mines with property consisting of approximately 235,150 hectares in close proximity to existing infrastructure.

Itafos Santana's resource highlights[13] are as follows:

Itafos Santana	Tonnes (Mt)	Grade (%)	P_2O_5 (Mt)
Measured and indicated resources	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 Itafos Santana was prepared on October 28, 2013, the realizable value of the project may differ from the conclusions drawn in such latest technical report. The Company is in process of updating such technical report to confirm reserve and resource estimates.

Itafos Araxá (Brazil)

Itafos Araxá is an integrated 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 domestic and international markets.

Itafos Araxá owns phosphate ore mines with property consisting of approximately 214 hectares in close proximity to existing infrastructure.

Itafos Araxá's resource highlights[14] 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 Itafos Araxá may differ from the conclusions drawn in such latest technical report. The Company is in process of updating such technical report to confirm reserve and resource estimates.

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 fertilizers.

[13] 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.

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

Itafos Mantaro owns phosphate ore mines with property consisting of approximately 12,800 hectares in close proximity to existing infrastructure.

Itafos Mantaro's resource highlights[15] 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 Itafos Mantaro 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. The Company is in process of updating such technical report to confirm reserve and resource estimates.

4. STRATEGY AND OUTLOOK

STRATEGY

The Company is a vertically integrated phosphate 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 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 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 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 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 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.

[15] 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 was a unique investment opportunity that was consistent with the Company's strategy and was 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 located within approximately 15 miles from the production facilities. 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 Notes 3 and 4 in the Consolidated Financial Statements). Itafos Arraias is one of 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. Despite having achieved commercial production, Itafos Arraias has experienced operational challenges post declaration of commercial production resulting in lower than optimal levels of capacity utilization. Currently, the Company is focusing on implementing the Repurpose Plan to optimize Itafos Arraias' finished fertilizer production with a multi-product portfolio of higher grade SSP, micronutrient SSP and value added premium PK compound products. In addition, the Company is focusing on procuring supplementary higher-grade phosphate rock from third parties and, once operational, from Itafos Farim (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. 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 6 in the Consolidated Financial Statements). Itafos Farim is a West African high-grade and low-cost phosphate rock mine 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, negotiating offtake agreements, selecting contractors and securing project financing for Itafos Farim.

Mid-Term Pipeline

Currently, the Company is focusing on maintaining the integrity of the concessions and evaluating strategic alternatives for Itafos Santana, 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, Itafos H1NDR and Itafos Farim) and other general corporate purposes (see Note 16 in the Consolidated Financial Statements).

5. OVERVIEW OF RESULTS

SUMMARY OF QUARTERLY RESULTS

During Q4 2018, the Company finalized the fair values for the acquisition of Itafos Conda resulting in a gain on fair valuation of Itafos Conda of $46,902. Accordingly, the original summary of quarterly results presented for September 30, 2018, June 30, 2018 and March 31, 2018 have been revised to reflect the gain on fair valuation of Itafos Conda of $46,902 and adjustments relating to depreciation, depletion and deferred tax liabilities (see Note 6 in the Consolidated Financial Statements).

For the three months ended December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018, the Company's summary of quarterly results was as follows:

(in thousands of US Dollars except for per share amounts)	*Original* **December 31, 2018**	*Revised* September 30, 2018	*Revised* June 30, 2018	*Revised* March 31, 2018
Net income (loss)	**$ (153,497)**	$ (14,096)	$ 764	$ 53,342
Basic income (loss) per share	**(1.08)**	(0.10)	0.01	0.40
Diluted income (loss) per share	**(1.08)**	(0.10)	0.01	0.40
Total assets	**$ 576,419**	$ 749,189	$ 760,789	$ 692,369

For the three months ended September 30, 2018, June 30, 2018 and March 31, 2018, the Company's original summary of quarterly results was as follows:

(in thousands of US Dollars except for per share amounts)	*Original* September 30, 2018	*Original* June 30, 2018	*Original* March 31, 2018
Net income (loss)	$ (9,135)	$ 1,429	$ 10,843
Basic income (loss) per share	(0.06)	0.01	0.08
Diluted income (loss) per share	(0.06)	0.01	0.08
Total assets	$ 730,254	$ 738,330	$ 599,642

The decrease in net income (loss) for the three months ended December 31, 2018 was primarily due to impairments of non-current assets of Itafos Arraias, Itafos Farim and Itafos Santana (See Notes 9, 10 and 11 in Consolidated Financial Statements). The decrease in net income (loss) for the three months ended September 30, 2018 was primarily due to the losses incurred at Itafos Arraias and interest expense related to the Facility. The decrease in net income (loss) for the three months ended June 30, 2018 was primarily due to Itafos Conda operations. The increase in net income (loss) for the three months ended March 31, 2018 was primarily due to the gain on fair valuation of Itafos Conda.

The increase in total assets during 2018 was due to the acquisitions of Itafos Conda and Itafos Farim in Q1 2018. The decrease in total assets for the three months ended December 31, 2018 was primarily due to impairments of non-current assets of Itafos Arraias, Itafos Farim and Itafos Santana (See Notes 9, 10 and 11 in Consolidated Financial Statements).

For the three months ended December 31, 2017, September 30, 2017, June 30, 2017 and March 31, 2017, the Company's summary of quarterly results was as follows:

(in thousands of US Dollars except for per share amounts)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net loss	$ (7,936)	$ (8,963)	$ (6,943)	$ (6,569)
Basic loss per share	(0.01)	(0.11)	(0.09)	(0.10)
Diluted loss per share	(0.01)	(0.11)	(0.09)	(0.10)
Total assets	$ 421,291	$ 341,702	$ 328,305	$ 337,880

Net loss for 2017 was primarily due to the recommissioning and ramp-up of Itafos Arraias.

The increases in total assets during 2017 was primarily due 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 months ended December 31, 2018 and 2017, the Company's statements of operations were as follows:

(in thousands of US Dollars except for per share amounts)	*For the three months ended December 31,* **2018**	2017
Revenues, net	**$ 100,597**	$ –
Cost of goods sold	99,892	–
Impairments	146,627	–
	$ (145,922)	$ –
Expenses		
Selling, general and administrative expenses	$ 3,904	$ 6,356
Operating loss	(149,826)	(6,356)
Foreign exchange loss	(954)	(121)
Other income, net	138	6,368
Gain on fair valuation of Itafos Conda, net	–	–
Finance expense, net	(4,661)	(1,285)
Loss from investments in associates	–	(491)
Warrant expense	–	(5,562)
Loss before income taxes	**$ (155,303)**	$ (7,447)
Current and deferred income tax expense (benefit)	(1,806)	731
Net loss attributable to parent	**$ (153,497)**	$ (8,178)
Net loss attributable to non-controlling interest	–	–
Net loss	**$ (153,497)**	$ (8,178)
Basic loss per share	**$ (1.08)**	$ (0.10)
Fully diluted loss per share	**$ (1.08)**	$ (0.10)

For the three months ended December 31, 2018 and 2017, revenues were $100,597 and $0, respectively. The revenues were due to Itafos Conda operations, which was acquired in January 2018 (see Note 6 in the Consolidated Financial Statements) and Itafos Arraias operations, which commenced commercial production in the second half of 2018.

For the three months ended December 31, 2018, Itafos Conda's revenues, volumes and prices were as follows:

(in thousands of US Dollars except for volumes and prices)	**MAP**	**SPA[16]**	**MGA[17]**	**APP**
Revenues, net	**$ 48,033**	**$ 41,337**	**$ 125**	**$ 3,405**
Production volumes (t)	**101,385**	**42,738**	**112**	**8,621**
Sales volumes (t)	**101,652**	**41,079**	**113**	**8,602**
Realized price ($/t)[18]	**$ 473**	**$ 1,006**	**$ 1,106**	**$ 396**

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

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

[18] Realized price ($/t) is a non-IFRS measure (see Section 7).

For the three months ended December 31, 2018, Itafos Arraias' revenues, volumes and prices were as follows:

(in thousands of US Dollars except for volumes and prices)	SSP	SSP+	Sulfuric acid[19]
Revenues, net	$ 4,560	$ 1,067	$ 2,070
Production volumes (t)	29,227	2,806	29,459
Sales volumes (t)	33,739	6,672	13,609
Realized price ($/t)[20]	$ 135	$ 160	$ 152

For the three months ended December 31, 2018 and 2017, cost of goods sold were $99,892 and $0, respectively. The increase in cost of goods sold was due to Itafos Conda operations, which was acquired in January 2018 (see Note 6 in the Consolidated Financial Statements) and Itafos Arraias operations, which commenced commercial production in the second half of 2018.

Itafos Conda shipped SPA that was not received by its customers as at December 31, 2018. As such, based on the contract delivery terms, Itafos Conda will recognize $6,049 of revenue and $3,615 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 December 31, 2018 and 2017, impairments were $146,627 and $0, respectively. The increase in impairments was due to impairments of non-current assets of Itafos Arraias, Itafos Farim and Itafos Santana (see Notes 9, 10 and 11 in the Consolidated Financial Statements).

For the three months ended December 31, 2018 and 2017, selling, general and administrative expenses were $3,904 and $6,356, respectively. The decrease in selling, general and administrative expenses was primarily due to professional services and other commercial activities.

For the three months ended December 31, 2018 and 2017, foreign exchange loss was $(954) and $(121), respectively. The increase in foreign exchange loss was primarily due to fluctuations of the Brazilian Real.

For the three months ended December 31, 2018 and 2017, other income was $138 and $6,368, respectively. The decrease in other income was primarily due to adjustments for taxes paid in 2017 on purchases of material and equipment at the Company's Brazilian subsidiaries that were recaptured under the tax amnesty program.

For the three months ended December 31, 2018 and 2017, finance expense was $(4,661) and $(1,285), respectively. The increase in finance expense was primarily due to the interest on the Facility.

For the three months ended December 31, 2018 and 2017, loss from investments in associates was $0 and $(491), respectively. The decrease in loss from investments in associates was due to the Company's non-controlling interests in GBL prior to the GBL Arrangement (see Note 6 in the Consolidated Financial Statements).

For the three months ended December 31, 2018 and 2017, warrant expense was $0 and $5,562 respectively. The decrease in warrant expense was due to warrants held by third parties being converted into shares, resulting in a non-controlling interest ("NCI") in Itafos Arraias and Itafos Santana recorded as of December 31, 2017 (see Note 2 in the Consolidated Financial Statements).

For the three months ended December 31, 2018 and 2017, current and deferred income tax expense (benefit) was $(1,806) and $731, respectively. The decrease in current and deferred income tax expense was primarily due to a decrease in estimated tax payable provision for Itafos Conda.

[19] Sulfuric acid production volumes (t) are presented net of production for internal consumption.

[20] Realized price ($/t) is a non-IFRS measure (see Section 7).

For the years ended December 31, 2018, 2017 and 2016, the Company's statements of operations were as follows:

(in thousands of US Dollars except for per share amounts)	*For the years ended December 31,* **2018**	2017	2016
Revenues, net	**$ 302,182**	$ –	$ –
Cost of goods sold	276,553	–	–
Impairments	146,627	–	59,781
	$ (120,998)	$ –	$ (59,781)
Expenses			
Selling, general and administrative expenses	$ 21,788	$ 19,447	$ 10,176
Operations care and maintenance expenses	–	–	20,602
Disposal of property, plant and equipment and mineral properties	–	–	11,159
Operating loss	(142,786)	(19,447)	(101,718)
Foreign exchange gain (loss)	(665)	(1,165)	23,343
Other income (expense), net	(653)	2,740	(3,568)
Gain on fair valuation of Itafos Conda, net	46,902	–	–
Gain on restructuring	–	–	25,380
Finance expense, net	(15,866)	(1,263)	(42,766)
Gain (loss) from investments in associates	7,910	(2,400)	(201)
Warrant expense	–	(6,962)	–
Loss before income taxes	**$ (105,158)**	$ (28,497)	$ (99,530)
Current and deferred income tax expense	8,329	1,914	1,138
Net loss attributable to parent	**$ (113,487)**	$ (30,411)	$ (100,668)
Net loss attributable to non-controlling interest	–	–	–
Net loss	**$ (113,487)**	$ (30,411)	$ (100,668)
Basic loss per share	**$ (0.82)**	$ (0.39)	$ (8.87)
Fully diluted loss per share	**$ (0.82)**	$ (0.39)	$ (8.87)

For the years ended December 31, 2018 and 2017, revenues were $302,182 and $0 respectively (see Note 20 in the Consolidated Financial Statements). The revenues were due to Itafos Conda operations, which was acquired in January 2018 (see Note 6 in the Consolidated Financial Statements) and Itafos Arraias operations, which commenced commercial production in the second half of 2018 (see Note 4 in the Consolidated Financial Statements).

For the year ended December 31, 2018, Itafos Conda's revenues, volumes and prices were as follows:

(in thousands of US Dollars except for volumes and prices)	**MAP**	**SPA[21]**	**MGA[22]**	**APP**
Revenues, net	**$ 144,084**	**$ 120,925**	**$ 388**	**$ 11,133**
Production volumes (t)	**360,004**	**148,235**	**353**	**33,082**
Sales volumes (t)	**327,851**	**128,369**	**394**	**26,527**
Realized price ($/t)[23]	**$ 439**	**$ 942**	**$ 985**	**$ 420**

For the year ended December 31, 2018, Itafos Arraias' revenues, volumes and prices were as follows:

(in thousands of US Dollars except for volumes and prices)	**SSP**	**SSP+**	**Sulfuric acid[24]**
Revenues, net	**$ 16,594**	**$ 3,653**	**$ 5,406**
Production volumes (t)	**146,035**	**23,982**	**59,370**
Sales volumes (t)	**106,922**	**23,134**	**37,751**
Realized price ($/t)[25]	**$ 155**	**$ 158**	**$ 143**

[21] SPA volumes (t) and realized price ($/t) are presented on a 100% P_20_5 basis.
[22] MGA volumes (t) and realized price ($/t) are presented on a 100% P_20_5 basis.
[23] Realized price ($/t) is a non-IFRS measure (see Section 7).
[24] Sulfuric acid production volumes (t) are presented net of production for internal consumption.
[25] Realized price ($/t) is a non-IFRS measure (see Section 7).

Itafos Arraias commenced commercial production in the second half of 2018. In the first half of 2018, Itafos Arraias' revenues were capitalized into property, plant and equipment as it was in development stage.

For the years ended December 31, 2018 and 2017, cost of goods sold was $276,553 and $0, respectively. The increase in cost of goods sold was due to Itafos Conda operations, which was acquired in January 2018 (see Note 6 in the Consolidated Financial Statements) and Itafos Arraias operations, which commenced commercial production in the second half of 2018.

For the years ended December 31, 2018 and 2017, impairments were $146,627 and $0, respectively. The increase in impairments was due to impairments of non-current assets of Itafos Arraias, Itafos Farim, and Itafos Santana (see Notes 9, 10 and 11 in the Consolidated Financial Statements).

For the years ended December 31, 2018 and 2017, selling, general and administrative expenses were $21,788 and $19,447, respectively. The increase in selling, general and administrative expenses was due to the following:

- an increase in professional services related to acquisition activities, including $3,000 of advisory services related to the acquisition of Itafos Conda in the corporate segment (see Note 26 in the Consolidated Financial Statements);
- an increase in other consulting fees, including $1,155 related to support of Itafos Farim and Itafos Arraias in the corporate segment (see Note 26 in the Consolidated Financial Statements); and
- a decrease in other administrative expenses related to normal operations.

For the years ended December 31, 2018 and 2017, foreign exchange loss was $(665) and $(1,165), respectively. The decrease in foreign exchange loss was primarily due to fluctuations of the Brazilian Real (see Notes 22 and 29 in the Consolidated Financial Statements).

For the years ended December 31, 2018 and 2017, other income (expense) was $(653) and $2,740, respectively. The decrease in other income (expense) was primarily due to adjustments for taxes paid on purchases of material and equipment at the Company's Brazilian subsidiaries that were recaptured under a tax amnesty program.

For the years ended December 31, 2018 and 2017, gain on fair valuation of Itafos Conda, net was $46,902 and $0, respectively (see Note 6 in the Consolidated Financial Statements).

For the years ended December 31, 2018 and 2017, finance expense was $(15,866) and $(1,263), respectively. The increase in finance expense was primarily due 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 capitalized interest due to the ramp-up of Itafos Arraias (see Note 23 in the Consolidated Financial Statements).

For the years ended December 31, 2018 and 2017, gain (loss) from investments in associates was $7,910 and $(2,400), 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 6 and 13 in the Consolidated Financial Statements). The gain (loss) from investments in associates for the year ended December 31, 2017 was primarily due to equity losses from previous equity investments that the Company had in STG and GBL.

For the years ended December 31, 2018 and 2017, warrant expense was $0 and $(6,962) respectively. The decrease in warrant expense was due to warrants held by third parties being converted into shares, resulting in NCI in Itafos Arraias and Itafos Santana recorded as of December 31, 2017 (see Note 2 in the Consolidated Financial Statements).

For the years ended December 31, 2018 and 2017, current and deferred income tax expense was $8,329 and $1,914, respectively. The increase in current and deferred income tax expenses was primarily due to an increase in estimated tax payable provision for Itafos Conda (see Note 24 in the Consolidated Financial Statements).

7. NON-IFRS FINANCIAL MEASURES

The Company considers both IFRS and certain non-IFRS measures to assess performance. Non-IFRS measures are a numerical measure of a company's performance, that either include or exclude amounts that are not normally included or excluded from the most directly comparable IFRS measures. In evaluating non-IFRS measures, investors, analysts, lenders and others should consider that non-IFRS measures do not have any standardized meaning under IFRS and that the methodology applied by the Company in calculating such non-IFRS measures may differ among companies and analysts. The Company believes the non-IFRS measures provide useful supplemental information to investors, analysts, lenders and others in order to evaluate the Company's operational and financial performance. 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.

The Company considers non-IFRS measures as follows:

Non-IFRS measure	Definition	Most directly comparable IFRS measure
EBITDA	Earnings before interest, taxes, depreciation, depletion and amortization	Net income (loss) and operating income (loss)
Adjusted EBITDA	EBITDA adjusted for non-cash, extraordinary, non-recurring and other items unrelated to the Company's core operating activities	Net income (loss) and operating income (loss)
Net debt	Debt and debentures less cash and cash equivalents and short-term investments	Current debt, current debentures, long-term debt, long-term debentures, cash and cash equivalents and short-term investments
Working capital	Current assets less current liabilities	Current assets and current liabilities
Realized price	Revenues, net divided by sales volumes	Revenues, net

For the three months ended December 31, 2018 the Company had EBITDA and Adjusted EBITDA by segment as follows:

(in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Net income (loss)	**$ 16,653**	**$ (148,062)**	**$ (15,591)**	**$ (6,497)**	**$ (153,497)**
Finance expense, net	213	521	13	3,914	4,661
Current and deferred income tax expense	(2,099)	–	–	293	(1,806)
Depreciation and depletion	6,213	4,236	44	13	10,506
EBITDA	**$ 20,980**	**$ (143,305)**	**$ (15,534)**	**$ (2,277)**	**$ (140,136)**
Unrealized foreign exchange (gain) loss	27	1,842	(393)	21	1,497
Share-based payment (recovery) expense	–	–	–	(287)	(287)
Other (income) expense, net	(69)	(68)	1	(2)	(138)
Impairments	–	132,252	14,375	–	146,627
Transaction costs	–	–	–	37	37
Adjusted EBITDA	**$ 20,938**	**$ (9,279)**	**$ (1,551)**	**$ (2,508)**	**$ 7,600**

(in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Operating income (loss)	**$ 14,729**	**$ (146,573)**	**$ (15,558)**	**$ (2,424)**	**$ (149,826)**
Depreciation and depletion	6,213	4,236	44	13	10,506
Realized foreign exchange gain (loss)	(4)	806	(412)	153	543
Share-based payment (recovery) expense	–	–	–	(287)	(287)
Impairments	–	132,252	14,375	–	146,627
Transaction cost	–	–	–	37	37
Adjusted EBITDA	**$ 20,938**	**$ (9,279)**	**$ (1,551)**	**$ (2,508)**	**$ 7,600**

For the three months ended December 31, 2017 the Company had EBITDA and Adjusted EBITDA by segment as follows:

(in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Net loss	**$ –**	**$ (280)**	**$ (1,751)**	**$ (5,905)**	**$ (7,936)**
Finance expense, net	–	412	–	873	1,285
Current and deferred income tax expense	–	–	–	731	731
Depreciation and depletion	–	(24)	–	(14)	(38)
EBITDA	**$ –**	**$ 108**	**$ (1,751)**	**$ (4,315)**	**$ (5,958)**
Unrealized foreign exchange (gain) loss	–	(280)	205	(46)	(121)
Share-based payment (recovery) expense	–	–	–	478	478
Other (income) expense, net	–	(6,251)	(117)	–	(6,368)
(Gain) loss from investments in associates[26]	–	–	491	–	491
Transaction costs	–	–	–	935	935
Adjusted EBITDA	**$ –**	**$ (6,423)**	**$ (1,172)**	**$ (2,948)**	**$ (10,543)**

(in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Operating loss	**$ –**	**$ (837)**	**$ (1,172)**	**$ (4,347)**	**$ (6,356)**
Depreciation and depletion	–	(24)	–	(14)	(38)
Share-based payment (recovery) expense	–	–	–	478	478
Warrant expense	–	(5,562)	–	–	(5,562)
Transaction costs	–	–	–	935	935
Adjusted EBITDA	**$ –**	**$ (6,423)**	**$ (1,172)**	**$ (2,948)**	**$ (10,543)**

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

For the year ended December 31, 2018 the Company had EBITDA and Adjusted EBITDA by segment as follows:

(in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Net income (loss)	**$**	**84,242**	**$**	**(161,762)**	**$**	**(10,449)**	**$**	**(25,518)**	**$**	**(113,487)**
Finance expense, net		730		970		110		14,056		15,866
Current and deferred income tax expense		7,152		–		–		1,177		8,329
Depreciation and depletion		18,472		8,506		44		47		27,069
EBITDA	**$**	**110,596**	**$**	**(152,286)**	**$**	**(10,295)**	**$**	**(10,238)**	**$**	**(62,223)**
Unrealized foreign exchange (gain) loss		35		623		267		(232)		693
Gain on fair valuation of Itafos Conda, net		(46,902)		–		–		–		(46,902)
Gain from investments in associates		–		–		(7,910)		–		(7,910)
Share-based payment (recovery) expense		–		–		–		(119)		(119)
Impairments		–		132,252		14,375		–		146,627
Other (income) expense, net		(115)		786		2		(20)		653
Transaction cost		–		–		–		3,318		3,318
Adjusted EBITDA	**$**	**63,614**	**$**	**(18,625)**	**$**	**(3,561)**	**$**	**(7,291)**	**$**	**34,137**

(in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Operating income (loss)	**$**	**45,141**	**$**	**(159,408)**	**$**	**(17,991)**	**$**	**(10,528)**	**$**	**(142,786)**
Depreciation and depletion		18,472		8,506		44		47		27,069
Realized foreign exchange gain (loss)		1		25		11		(9)		28
Share-based payment (recovery) expense		–		–		–		(119)		(119)
Impairments		–		132,252		14,375		–		146,627
Transaction costs		–		–		–		3,318		3,318
Adjusted EBITDA	**$**	**63,614**	**$**	**(18,625)**	**$**	**(3,561)**	**$**	**(7,291)**	**$**	**34,137**

For the year ended December 31, 2017 the Company had EBITDA and Adjusted EBITDA by segment as follows:

(in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Net loss	**$**	**–**	**$**	**(12,908)**	**$**	**(4,096)**	**$**	**(13,407)**	**$**	**(30,411)**
Finance expense, net		–		439		–		824		1,263
Current and deferred income tax expense		–		–		–		1,914		1,914
Depreciation and depletion		–		125		–		–		125
EBITDA	**$**	**–**	**$**	**(12,344)**	**$**	**(4,096)**	**$**	**(10,669)**	**$**	**(27,109)**
Unrealized foreign exchange loss		–		821		174		170		1,165
Share-based payment (recovery) expense		–		–		–		994		994
Other (income) expense, net		–		(2,642)		–		(98)		(2,740)
Loss from investments in associates[27]		–		–		2,400		–		2,400
Transaction costs		–		–		–		1,424		1,424
Adjusted EBITDA	**$**	**–**	**$**	**(14,165)**	**$**	**(1,522)**	**$**	**(8,179)**	**$**	**(23,866)**

(in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Operating loss	**$**	**–**	**$**	**(7,328)**	**$**	**(1,522)**	**$**	**(10,597)**	**$**	**(19,447)**
Depreciation and depletion		–		125		–		–		125
Share-based payment (recovery) expense		–		–		–		994		994
Warrant expense		–		(6,962)		–		–		(6,962)
Transaction costs		–		–		–		1,424		1,424
Adjusted EBITDA	**$**	**–**	**$**	**(14,165)**	**$**	**(1,522)**	**$**	**(8,179)**	**$**	**(23,866)**

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

8. FINANCIAL CONDITION

LIQUIDITY

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

As at December 31, 2018 and December 31, 2017, the Company's working capital balances were as follows:

	For the years ended December 31,	
(in thousands of US Dollars)	**2018**	2017
Cash	**$ 9,919**	$ 63,677
Accounts receivable	**35,907**	116
Short-term investments	**2,106**	–
Inventories, net	**133,840**	8,277
Other current assets	**12,704**	9,005
Accounts payable and accrued liabilities	**(75,601)**	(16,888)
Current debt	**(325)**	(25,530)
Contract liabilities	**(2,067)**	–
Current debentures	**(942)**	(1,193)
Provisions	**(494)**	(542)
Working capital[28]	**$ 115,047**	**$ 36,922**

On January 12, 2018, the Company completed the acquisition of Itafos Conda (see Note 6 in the Consolidated Financial Statements). With the acquisition of Itafos Conda, a cash flow generating business, the Company has further solidified 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 at December 31, 2017 were exchanged or settled with the closing of the Facility (see Note 16a in the Consolidated Financial Statements).

On December 15, 2017, the Company completed a private placement of 45,714,285 shares at a price of C$2.10 per share and received net proceeds of $74,887 (see Note 18 in the Consolidated Financial Statements).

On March 9, 2017, the Company completed a private placement of shares at a price of C$2.10 per share and received net proceeds of $32,840 (after deducting transaction costs of $1,214). The net proceeds included $29,840 from the issuance of 19,883,128 shares through private placement and conversion of $3,000 from the issuance of 1,906,541 shares to settle notes payable to CLF (see Note 18 in the Consolidated Financial Statements).

[28] Working capital is a non-IFRS measure (see Section 7)

BALANCE SHEETS

As at December 31, 2018, 2017 and 2016, the Company's balance sheets were as follows:

(in thousands of US Dollars)	*As at December 31,* **2018**	2017	2016
Assets			
Cash and cash equivalents	$ 9,919	$ 63,677	$ 2,875
Accounts receivable	35,907	116	169
Short-term investments	2,106	–	–
Inventories, net	133,840	8,277	481
Other current assets	12,704	9,005	3,212
Total current assets	**$ 194,476**	$ 81,075	$ 6,737
Property, plant and equipment, net	245,418	263,427	222,564
Mineral properties, net	124,286	47,195	40,324
Investments in associates	–	15,074	17,813
Deferred tax asset	1,157	–	–
Other long-term assets	11,082	14,520	17,320
Total non-current assets	**$ 381,943**	$ 340,216	$ 298,021
Total assets	**$ 576,419**	$ 421,291	$ 304,758
Liabilities			
Accounts payable and accrued liabilities	$ 75,601	$ 16,888	$ 19,345
Provisions	494	542	975
Current debt	325	25,530	–
Contract liabilities	2,067	–	–
Current debentures	942	1,193	340
Other current liabilities	–	–	2,387
Total current liabilities	**$ 79,429**	$ 44,153	$ 23,047
Long-term debt	160,258	$ –	$ –
Long-term debentures	2,588	3,769	4,254
Deferred tax liabilities	14,961	–	–
Long-term provisions	39,148	2,952	586
Other long-term liabilities	8,256	8,818	7,261
Total long-term liabilities	**$ 225,211**	$ 15,539	$ 12,101
Total liabilities	**$ 304,640**	$ 59,692	$ 35,148
Equity			
Share capital	515,029	486,562	374,508
Contributed surplus	246,626	246,626	246,626
Cumulative translation adjustment reserve	3,655	8,455	7,171
Deficit	(502,593)	(389,106)	(358,695)
Equity attributable to shareholders of the parent	**$ 262,717**	$ 352,537	$ 269,610
Non-controlling interest	9,062	9,062	-
Total equity	**$ 271,779**	$ 361,599	$ 269,610
Total liabilities and equity	**$ 576,419**	$ 421,291	$ 304,758

For the years ended December 31, 2018 and 2017, the increase in total current assets was due to the following:

- $125,563 increase in inventories due to Itafos Conda and Itafos Arraias operations (see Note 8 in the Consolidated Financial Statements);
- $53,758 decrease in cash (see CASH FLOWS in this Section 8 below);
- $35,791 increase in accounts receivable primarily due to Itafos Conda revenues;
- $2,106 increase in short-term investments;
- $3,699 increase in other current assets due to the following:
    - $6,543 increase in current assets at Itafos Conda such as mining prepaid expenses, other receivables and deposits and working capital adjustments (see Note 12 in the Consolidated Financial Statements);
    - $5,145 decrease due to elimination of promissory notes receivable from GBL upon consolidation (see Note 12 in the Consolidated Financial Statements);
    - $2,663 increase in tax credits and other (see Note 12 in the Consolidated Financial Statements); and
- timing differences due to normal operations.

For the years ended December 31, 2018 and 2017, the increase in total non-current assets was due to the following:

- $77,091 increase in mineral properties primarily due to the GBL Arrangement (see Notes 6 and 11 of the Consolidated Financial Statements) net of impairments of Itafos Arraias, Itafos Farim and Itafos Santana (see Notes 9 and 11 in the Consolidated Financial Statements);
- $18,009 decrease in plant, property and equipment primarily due to impairments of Itafos Arraias (see Notes 9 and 10 in the Consolidated Financial Statements) net of the acquisition of Itafos Conda (see Note 6 in the Consolidated Financial Statements) and additions to property, plant and equipment, net of Itafos Conda and Itafos Arraias (see Note 10 in the Consolidated Financial Statements);
- $15,074 decrease in investments in associates due to the GBL Arrangement (see Notes 6 and 13 in the Consolidated Financial Statements);
- $1,157 increase in deferred tax assets due to payroll and related taxes payable of Itafos Conda; and
- timing differences related to normal operations.

For the years ended December 31, 2018 and 2017, the increase in total current liabilities was due to the following:

- $25,205 decrease in current debt due to the extinguishment of $25,530 of promissory notes and related interest offset by $325 of interest accruals relating to the Facility (see Note 16a in the Consolidated Financial Statements);
- $12,618 increase in accrued liabilities payable through MAP offtake agreement due to the acquisition of Itafos Conda (see Notes 6 and 14 in the Consolidated Financial Statements);
- $22,215 increase in trade payables primarily due to Itafos Conda operations (see Note 14 in the Consolidated Financial Statements);
- $11,221 increase in accrued liabilities and other primarily due to $6,651 of accrued mining expenses of Itafos Conda (see Note 14 in the Consolidated Financial Statements);
- $8,435 increase in taxes payable primarily due to Itafos Conda tax provisions (see Note 14 in the Consolidated Financial Statements);
- $2,067 increase in contract liabilities due to advances received from customers of Itafos Arraias;
- $1,506 increase in rebates due to payables accrued by Itafos Conda in anticipation of customers meeting volume offtake thresholds (see Note 14 in the Consolidated Financial Statements); and
- timing differences related to normal operations.

For the years ended December 31, 2018 and 2017, the increase in total long-term liabilities was due to the following:

- $160,258 increase in long-term debt due to the Facility (see Note 16a in the Consolidated Financial Statements);
- $14,961 increase in deferred tax liabilities primarily due to the excess book basis compared to the tax basis resulting from the assessment of fair values of the Itafos Conda net assets acquired (see Note 6 in the Consolidated Financial Statements);
- $36,196 increase in long-term provisions primarily due to environmental and asset retirement obligations relating to the post-closing operations of Itafos Conda and upward revisions to cost estimates of environmental and asset retirement obligations of Itafos Arraias (see Note 15 in the Consolidated Financial Statements); and
- timing differences related to normal operations.

For the years ended December 31, 2018 and 2017, the decrease in total equity was due to the following:

- $28,467 increase in share capital due to the issuance of shares in connection with the GBL Arrangement (see Note 6 in the Consolidated Financial Statements) and the Facility (see Note 16 in the Consolidated Financial Statements);
- $113,487 increase in deficit due to net loss for the year ended December 31, 2018; and
- $4,800 decrease in cumulative translation adjustment reserve (see Note 29 in the Consolidated Financial Statements).

CAPITAL RESOURCES

As at December 31, 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	–	$	–	2,812,784	2,812,754

The Company's principal shareholder is CLF, a Delaware limited liability company with offices in Minnesota, US. As at December 31, 2018, CLF beneficially owned and controlled 81,980,064 shares of the Company, representing approximately 57.7% of the issued and outstanding shares on an undiluted basis. As at December 31, 2017, CLF beneficially owned and controlled 81,452,992 shares of the Company, representing approximately 63.6% of the issued and outstanding shares on an undiluted basis. CLF is a related party (see Notes 1 and 28 in the Consolidated Financial Statements).

On June 6, 2018, the Company issued 2,750,000 shares to the syndicate of lenders of the Facility (see Notes 16 and 18 in the Consolidated Financial Statements).

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

On December 15, 2017, the Company completed a private placement of 45,714,285 shares at a price of C$2.10 per share and received net proceeds of $74,887 (see Note 18 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 16 in the Consolidated Financial Statements).

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

On March 9, 2017, the Company completed a private placement of shares at a price of C$2.10 per share and received net proceeds of $32,840 (after deducting transaction costs of $1,214). The net proceeds included $29,840 from the issuance of 19,883,128 shares through private placement and conversion of $3,000 from the issuance of 1,906,541 shares to settle notes payable to CLF (see Note 18 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 6 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 years ended December 31, 2018 and 2017, the Company's cash flows were as follows:

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

The increase in cash flows from operating activities was primarily due to Itafos Conda operations, which was acquired on January 12, 2018. The increase in net change in non-cash working capital was primarily due to other liabilities payable through MAP offtake agreement related to the acquisition of Itafos Conda (see Notes 6 and 27 in the Consolidated Financial Statements)

The decrease in cash flows from financing activities was primarily due to the acquisition of Itafos Conda and the GBL Arrangement (see Note 6 in the Consolidated Financial Statements) and additions to plant, property and equipment.

The decrease in cash flows from financing activities was due by the timing of proceeds received from the issuance of shares in 2017 in advance of the acquisition of Itafos Conda. On June 6, 2018, the Company closed the Facility (see Note 16a in the Consolidated Financial Statements).

CONTRACTUAL OBLIGATIONS

As at December 31, 2018, the Company's contractual obligations were as follows:

(in thousands of US Dollars)	Within 1 year	Years 2 and 3	Years 4 and 5	After 5 years	Total contractual obligations
Long-term debt	$ 8,883	$ 33,428	$ 198,827	$ –	**$ 241,138**
Accounts payable and accrued liabilities	75,796	–	–	–	**75,796**
Provisions	494	–	–	39,148	**39,642**
Rail car leases	3,511	4,955	4,013	2,822	**15,301**
Canadian debentures	673	1,170	122	183	**2,148**
Brazilian debentures	269	345	345	432	**1,391**
Property leases	147	74			**221**
Other non-current liabilities	85	–	–	–	**85**
Contractual obligations	**$ 89,858**	**$ 39,972**	**$ 203,307**	**$ 42,585**	**$ 375,722**

The Company's provisions are representative of the environmental and asset retirement obligations as well as legal contingencies that exist as at December 31, 2018. As at December 31, 2018, Itafos Conda and Itafos Arraias had environmental and asset retirement obligations of $30,576 and $8,467, respectively. Liabilities for costs are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated (see Note 15 in the Consolidated Financial Statements). Rail car leases are contractual obligations of Itafos Conda (see Note 25 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 24 in the Consolidated Financial Statements).

For the three months ended December 31, 2018 and 2017 and for the years ended December 31, 2018 and 2017, the Company had total current and deferred income tax expense and effective tax rates as follows:

	For the three months ended December 31,		*For the years ended December 31,*	
(in thousands of US Dollars)	**2018**	2017	**2018**	2017
Current income tax expense (income)	**$ (210)**	$ 414	**$ 10,109**	$ 464
Deferred income tax expense (income)	**(1,596)**	317	**(1,780)**	1,450
Total current and deferred income tax expense (income)	**$ (1,806)**	$ 731	**$ 8,329**	$ 1,914

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

Itafos Conda is domiciled in the US and is subject to a statutory income tax rate of 26.5%, comprised of federal corporate income tax of 21% and state corporate income tax of 6.925%.

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 SUDAM application process and expects to complete the process by the end of 2019.

The Company calculates an estimated average annual effective tax rate for each of the jurisdictions in which it operates.

For the three months ended December 31, 2018 and 2017, the Company had effective tax rates of (1.2)% and (10.2)%, respectively. The decrease in effective tax rate was primarily due to impairments of non-current assets of Itafos Arraias, Itafos Farim and Itafos Santana.

For the years ended December 31, 2018 and 2017, the Company had effective tax rates of (7.9)% and (6.7)%, respectively. The effective tax rate is higher due to Itafos Conda income. In addition, the effective tax rate is impacted by losses generated by Itafos Arraias and impairments of non-current assets of Itafos Arraias, Itafos Farim and Itafos Santana.

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

		As at December 31,	
(in thousands of US Dollars)	**Balance sheet location**	**2018**	2017
Taxes payable	Accounts payable and accrued liabilities	$ 13,885	$ 5,450
Non-current deferred income tax liabilities	Deferred tax liabilities	14,961	–
Total income tax liabilities		**$ 28,846**	$ 5,450

DEFERRED TAX ASSETS

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized. The Company has not recognized deferred tax assets for accumulated Brazilian tax losses. As at December 31, 2018, the Company had Brazilian tax losses of approximately $486,752 that may be carried forward indefinitely to offset taxable income in any given period.

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 24 in the Consolidated Financial Statements).

BRAZILIAN TAX ASSESSMENTS

In 2017, the Company elected to participate in the Brazilian Special Program for Tax Regularization ("PERT"), which allows discounts on tax penalties and interest, to settle various significant outstanding income tax assessments associated with its subsidiaries in Brazil. In coming to the decision to participate in the program, the Company analyzed the costs and risks involved in continued litigation versus the potential financial burden that would be incurred by not participating in the program and then being unsuccessful in reducing the income assessment via other means. Also contributing to the Company's decision is the financial burden imposed on those who take their disputes through the courts, which requires a bond or other collateral to be posted.

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

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 fertilizers both in the US and in Brazil. Key developments in global prices include:

- global phosphate markets have been subdued in Q1 2019 due to (i) cold and wet weather in North America and (ii) heavy import line-up to NOLA from MENA, Russia and Europe and (iii) lower than expected imports by India;
- price declines have been partly offset by (i) the shutdown of Incitec Pivot's Phosphate Hill plant, Australia's sole DAP producer, in February 2019 due to flood damage, (ii) Mosaic's announcement to reduce North American phosphate production for the seasonally slow spring period and (iii) reduced utilization rates by Chinese producers, restricting export availability; and
- fundamentals are expected to improve over Q2 2019 as global demand rebounds; however, timing of capacity ramp-ups in Morocco and Saudi Arabia remain uncertain.

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 project in Morocco since June 2018, with production capacity of 1.0Mt/year;
- the ramp-up of Ma'aden's Wa'ad al Shamal project in Saudi Arabia, with production capacity of 3.0Mt/year;
- the commissioning of Eti Bakir's Mazidagi project in Turkey, with production capacity of 0.75Mt/year; and
- the expected commercial operations in Q1 2019 of NCIC's Ain Sokhna project in Egypt, with production capacity of 0.70Mt/year.

Shutdowns and Turnarounds

The impact of new phosphate fertilizer production has been partially offset 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 reduction of 0.6Mt/year of finished phosphate production at Nutrien's Redwater facility in Canada, which is planned to be repositioned for ammonium sulfate production;
- the reduction of 0.3Mt of Mosaic's phosphate production during the North American spring season; and
- the shutdown of Incitec Pivot's Phosphate Hill plant in February 2019 due to flood damage, which has production of approximately 1.0Mt/year of ammonium phosphates.

Raw Materials

Raw materials have experienced weak prices and the downward pressure is expected to persist. Key developments in raw materials prices include:

- global sulfur prices spiked in early June 2018, supported by tightness in the Middle East, Europe and Russia and limited spot availability into Q4 2018;
- global sulfur market tightness was alleviated towards the end of 2018, due to (i) lower demand in China, (ii) ample supply of DAP in India and (iii) increased global output;
- ammonia prices have experienced declines in Q1 2019 on weak US demand, reflective of poor weather conditions;
- ammonia prices are uncertain in the medium-term as on the one hand (i) global fertilizer demand is set to increase and (ii) several ammonia plant turnarounds are planned or underway, including Saudi Arabian giant SAFCO, whereas on the other hand (i) there are solid operating rates in Trinidad, (ii) the restart of Sorfert Algeria is imminent and (iii) Mosaic plans to reduce spring phosphate output.

US MARKET

The US phosphate fertilizer market has seen weak demand in Q1 2019 with prices decreasing. Key developments for the US market include:

- poor weather in the major growing regions have kept downward pressure on prices as the fall application of dry product was less than forecast, creating a larger than usual build-up of inventory ahead of spring;
- domestic producers should experience some margin relief as import prices of sulfur and ammonia continue to weaken;
- heavy import line-up to NOLA from MENA, Russia and Europe is expected to compete for volumes;
- buyers are choosing to delay purchases as prices continue to drop across the region, although market activity is expected to increase soon as farmers respond to improving weather conditions; and
- increasing focus on the potential impact of flooding on logistics routes, particularly to customers in the Midwest.

BRAZIL MARKET

The Brazilian phosphate fertilizer market has seen weak demand in Q1 2019 in advance of the upcoming soybean season, which is expected to commence in April 2019. Key developments for the Brazilian market include:

- MAP consumption has remained relatively thin through 2019 owing to weak soybean prices, though demand is expected to return soon for the soybean season;
- fundamentals are robust as the Brazilian Real continues to strengthen against the US Dollar, which should improve MAP affordability among soybean farmers;
- grain production is estimated to reach 233.3Mt during the 2018/2019 harvest, which would represent Brazil's second largest grain harvest ever and imply a 2.4% increase over the 2017/2018 harvest;[29]
- ammonia prices are expected to remain high as Petrobras closed their domestic production unit, leaving Yara significant control in the market; and
- a potential trade deal between the US and China would likely have a negative impact on Brazilian soybean exports, which have benefited from the commercial trade war with incremental exports of $8 billion.[30]

[29] Source: Companhia Nacional de Abastecimento (Conab), Acompanhamento da Safra Brasileira V.6 Safra 2018/19

[30] Source: Jornal Folha de São Paulo, Caderno Mercado, March 16, 2019

11. BUSINESS RISKS AND UNCERTAINTIES

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 mission, strategy, outlook, plans or future operational and financial 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:

- mission, strategy and outlook;
- ability to carry out and complete any plan;
- ability to achieve future operational and financial results;
- ability to own and operate its operating projects;
- ability to develop and complete its development projects;
- ability to obtain necessary permits and licenses;
- ability to secure financing;
- expectations around commodity markets;
- expectations around resources and reserves, including those stipulated in technical reports;
- expectations around current estimates and potential increases of mine life; and
- expectations around environmental and asset retirement obligations.

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:

- commodity price risks;
- operating risks;
- safety risks;
- mineral reserves and mineral resources risks;
- mine development and completion risks;
- foreign operations risks;
- regulatory risks;
- environmental risks;
- weather risks;
- climate change risks;
- currency risks;
- competition risks;
- counterparty risks;
- financing risks;
- additional capital risks;
- credit risks;
- key personnel risks;
- impairment risks;

- cybersecurity risks;
- transportation risks;
- infrastructure risks;
- equipment and supplies risks;
- litigation risks;
- permitting and licensing risks;
- land title and access rights risks;
- insurance and uninsured risks;
- acquisitions and integration risks;
- malicious acts risks;
- stock price volatility risks;
- limited operating history risks;
- technological advancement risks;
- tax risks;
- foreign subsidiaries risks;
- reputation damage risks;
- controlling shareholder risks; and
- conflicts of interest 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 as 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 operational and financial performance and the Company's plans and objectives and may not be appropriate for other purposes.

The risks and uncertainties affecting the forward-looking information contained in this MD&A are described in greater detail below.

RISK FACTORS

Commodity Price Risks

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

Operating Risks

The Company's operations are subject to the typical hazards and risks associated with the exploration, development and production of fertilizers, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, pit wall failures, tailings dam failures and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. The Company's production facilities are subject to risks relating to equipment breakdowns, interruption in the supply of inputs, power failures, longer-than-expected planned maintenance activities and natural disasters or other events disrupting operations. A prolonged shutdown at any of the Company's facilities could have an adverse effect on the Company's operational and financial performance. Although adequate precautions to minimize risk have been and will continue to be taken, the operating risks cannot be completely mitigated. In addition, the Company's operations are subject to hazards such as fire, equipment failure or other contingencies that may result in environmental pollution and consequent liability.

Safety Risks

Safety is a core value for the Company. The mining and fertilizer production activities the Company engages in are inherently hazardous, and the Company has personnel working or travelling in countries facing escalating tensions. Failure to prevent or appropriately respond to a safety, health or security incident could result in one or more incidents leading to injuries or fatalities among the Company's employees, contractors and communities near the Company's operations. Such incidents may lead to liabilities arising out of personal injuries or death, operational interruptions and shutdown or abandonment of affected facilities. Accidents could cause the Company to expend significant managerial time and efforts and financial resources to remediate safety issues or to repair damaged facilities and may also adversely impact the Company's reputation.

Mineral Reserves and Mineral Resources Risks

The calculation of mineral reserves, mineral resources and corresponding grades being mined or dedicated to future production are imprecise and depend on geological interpretation and statistical inferences or assumptions drawn from drilling and sampling analysis, which might prove to be unpredictable. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Until mineral resources are mined and processed, the quantity of mineral resources and grades must be considered estimates only. In addition, due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to indicated or measured mineral resources as a result of continued exploration. Any material change in the quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests. Estimates of resources, reserves and production costs can also be affected by such factors as environmental permit regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions.

Mine Development and Completion Risks

It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on many factors, including: the attributes of the deposit, such as size, grade and proximity to infrastructure; highly cyclical mineral prices; and government regulations, including in respect of prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of phosphate.

Foreign Operations Risks

The Company owns businesses and projects in various jurisdictions and is subject to the laws, government policies and regulations of those jurisdictions. Future changes in the laws and fiscal policies, and their interpretations and administrations, could adversely affect the Company's operations and prices. The Company's operations in these jurisdictions may be affected in varying degrees by political instability, government regulations relating to the mining and fertilizer industries and foreign investment therein, and the policies of other nations. Any changes in regulations or shifts in political conditions are beyond the control of Company and may adversely affect its business. The Company's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. The Company's operations may also be affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

Regulatory Risks

The Company's operations are subject to various laws governing prospecting, development, production, taxes, labor standards and occupational health, mine safety, toxic substances and other matters. Mining and fertilizer production activities are also subject to various laws and regulations relating to the protection of the environment. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's businesses or projects. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's operational and financial performance. In addition, there can be no assurance that all approvals required for future development will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake to develop.

Environmental Risks

All phases of the Company's operations are subject to the environmental regulations of local, state and national governments with jurisdiction over the Company's operations. These regulations mandate, among other things, water quality standards and land reclamation and regulate the generation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations.

As a company working with chemicals and other hazardous substances, the Company's business is inherently subject to environmental incidents, including uncontrolled tailings, gypsum stack or other containment breaches, significant subsidence from mining activities and significant spills, discharges or other releases of hazardous substances into the environment. Certain environmental laws, including many provincial environmental statutes and CERCLA, impose joint and several liability, without regard to fault, for clean-up costs on persons who have disposed of or released hazardous substances into the environment. Given the nature of the Company's business, the Company has incurred, is incurring currently, and is likely to incur periodically in the future, liabilities under environmental laws at the Company's facilities, adjacent or nearby third-party facilities or offsite disposal locations. The costs associated with future clean-up activities that the Company may be required to conduct or finance may be material. Significant environmental incidents can be harmful to the Company's employees, contractors and communities and impact the biodiversity, water resources and related ecosystems near the Company's operations. In addition, the Company may become liable to third parties for damages, including personal injury and property damage, resulting from such incidents. Such incidents could adversely impact the Company's operations, financial performance or reputation.

Violations of environmental and health and safety laws can result in substantial penalties, court orders to install pollution-control equipment, civil and criminal sanctions, permit restrictions or revocations and facility shutdowns. Environmental and health and safety laws change rapidly and have tended to become more stringent over time. As a result, the Company has not always been, and may not always be, in compliance with all environmental and health and safety laws and regulations. In addition, future environmental and health and safety laws and regulations or reinterpretation of current laws and regulations may the Company to make substantial expenditures. Furthermore, the Company's costs to comply with, or any liabilities under, these laws and regulations could be significant.

Environmental hazards may also exist on the properties on which the Company holds interests that are unknown to the Company at present and that have been caused by previous or existing owners or operators of the properties. Government environmental approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent that such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities, causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions

Parties engaged in mining and fertilizer production operations, including the Company, may be required to compensate those suffering loss or damage due to such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining and fertilizer companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses and capital expenditures or abandonment or delays in development of new mining and fertilizer production properties.

Weather Risks

Anomalies in regional weather patterns can have a significant and unpredictable impact on the demand for the products and services engaged by the Company's business and may also have an impact on prices. The Company's target customers have limited windows of opportunity to complete required tasks at each stage of crop cultivation. Should adverse weather conditions prevail during these seasonal windows, the Company could face the possibility of reduced revenue in a particular season without the opportunity to recover until the following season. The Company also faces the significant risk of inventory carrying costs should its customers' activities be curtailed during their normal seasons. In addition, inflow of water into phosphate mines from heavy rainfall or groundwater could result in increased costs and production down-time and may require the Company to abandon a mine, either of which could adversely affect the Company's operating results.

Climate Change Risks

The impact of climate change on the Company's business and operations, as well as that of its customers, is uncertain and may vary by geographic location. Climate change may include changing rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities, changing temperature levels and other unforeseen changes. These changes could adversely impact the Company's costs and operating activities. In addition, the Company's future operations and activities may emit amounts of greenhouse gases that could subject the Company to legislation regulating emission of greenhouse gases, and the cost of complying with such legislation may adversely affect the business of the Company.

Currency Risks

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

Competition Risks

The mining and fertilizer production industries are intensely competitive in all phases and the Company competes with many companies possessing greater financial and technical resources than it. Accordingly, such competitors may be better able to withstand market volatility while retaining significantly greater operating and financial flexibility than the Company. The Company's products are subject to intense price competition. Commodities have little or no product differentiation, and customers make their purchasing decisions principally on the basis of delivered price and, to a lesser extent, on customer service and product quality. This price pressure may affect the Company's results of operations. In addition, certain of the Company's products are sold into regional markets that may have lower cost competitors or differentiated products owing to a variety of factors.

Competition in the fertilizer mining industry is primarily for: mineral rich properties that can be developed and produced economically; the technical expertise to find, develop and operate such properties; the labor to operate such properties; and the capital to fund the development of such properties. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration in the future.

Counterparty Risks

The Company's operations are reliant on relationships with key counterparties including customers, suppliers and partners. There can be no assurance that the Company will maintain its relationship with its key counterparties. In addition, there can be no assurance that any new agreement entered into by the Company for sales, supply, purchase or shared services will have terms as favorable as those contained in current agreements. Any adverse changes with respect to the Company's key counterparties and the agreements between the Company and such key counterparties could have a material adverse effect on the Company's operational and financial performance.

Financing Risks

The Company's existing indebtedness and any additional debt the Company may incur in the future could have negative consequences on the Company's business should operating cash flows be insufficient to cover the Company's debt service requirements, which would adversely affect the Company's operations and liquidity.

The Company's ability to obtain any additional financing, whether through the issuance of new debt securities or otherwise, and the terms of any such financing are dependent on, among other things, its financial condition, financial market conditions within the industry and numerous other factors. Consequently, in case the Company needs to access the credit markets, including refinancing its debt, there can be no assurance that it will be able to obtain financing on acceptable terms or within an acceptable timeframe, if at all. The Company may be unable to obtain financing with acceptable terms when needed, which could materially adversely affect its business and results of operations.

Additional Capital Risks

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

Credit Risks

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

Key Personnel Risks

The Company's key personnel including its Board of Directors, management and other key employees plays a significant role in the Company's success and its strategy. The Company's future performance and development depend to a significant extent on the abilities, experience of its key personnel. The Company's ability to retain its key personnel, or to attract suitable replacements should key personnel leave, is dependent on the competitive nature of the employment market. The loss of the services of key personnel could adversely impact the Company's operational and financial performance.

In addition, sustaining and growing the Company's business depends on the recruitment, development and retention of qualified and motivated employees. Although the Company strives to be an employer of choice in its industry, competition for skilled employees in certain geographical areas in which the Company operates can be significant and the Company may not be successful in attracting, retaining or developing such skilled employees. In addition, the Company invests significant time and expense in training its employees, which increases their value to competitors who may seek to recruit them. The inability to attract, develop or retain quality employees could negatively impact the Company's ability to take on new projects and sustain its operations.

Impairment Risks

Mining and mineral interests and fertilizer production facilities and assets in development stage represent significant assets of the Company and represent capitalized expenditures related to the development of mining properties and the value assigned to exploration potential on acquisition, and related plant and equipment. The costs associated with mining properties are separately allocated to exploration potential, mineral reserves and mineral resources and include acquired interests in production, development and exploration-stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of material interests believed to be contained or potentially contained in properties to which they relate. The Company evaluates its mining interests and fertilizer production facilities for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable, which becomes more of a risk due to the current global economic conditions. Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation. In addition, the fragility of the global economy creates risk surrounding inventory levels.

Cybersecurity Risks

With the increased dependence on information technology for the Company's operations, the risks associated with cybersecurity also increase. Every aspect of the business relies on information technology, including supply chain, turnarounds and maintenance, logistics and treasury. Cybersecurity risks include hacking, fraudulent payments, loss of information due to viruses, breaches due to employee error and unintended disclosure of information. The Company is in the process of implementing controls and security procedures to safeguard its systems from being vulnerable to cyberattacks; however, the Company may not be able to prevent all cyberattacks and such attacks could seriously harm the Company's operations and materially adversely affect its operating results.

Transportation Risks

The cost of delivery is a significant factor in the total cost to customers. As a result, changes in transportation costs or changes in customer expectations about transportation costs can affect sales volumes and prices. The Company relies on railroad, trucking and other transportation service providers to transport raw materials to the Company's manufacturing facilities, to coordinate and deliver finished products to the Company's storage and distribution system and to ship finished products to the Company's customers. The Company also leases railcars in order to ship raw materials and finished products. These transportation operations, equipment and services are subject to various hazards, including adverse operating conditions, extreme weather conditions, system failures, work stoppages, delays, accidents, such as spills and derailments, and other accidents and operating hazards.

In the event of a disruption of existing transportation or terminal facilities for the Company's products or raw materials, alternative transportation and terminal facilities may not have sufficient capacity to fully serve all of the Company's customers or facilities. An extended interruption in the delivery of the Company's products to its customers or the supply of natural gas, ammonia or sulfur to the Company's production facilities could adversely affect sales volumes and margins.

These transportation operations, equipment and services are also subject to environmental, safety and regulatory oversight. Due to concerns related to accidents, terrorism or increasing concerns regarding transportation of potentially hazardous substances, local, provincial, state and federal governments could implement new regulations affecting the transportation of raw materials or the Company's finished products. If transportation of the Company's products is delayed or the Company is unable to obtain raw materials as a result of any third party's failure to operate properly or the other hazards described above, or if new and more stringent regulatory requirements are implemented affecting transportation operations or equipment, or if there are significant increases in the cost of these services or equipment, the Company's revenues and cost of operations could be adversely affected. In addition, the Company may experience increases in its transportation costs or changes in such costs relative to transportation costs incurred by the Company's competitors.

Infrastructure Risks

Mining and fertilizer production activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operational and financial performance.

Equipment and Supplies Risks

The Company is dependent on various supplies and equipment to carry out its operations and exploration and development activities. The shortage of supplies, equipment and parts could have a material adverse effect on its ability to carry out its operations and therefore limit or increase the cost of operations, exploration and development and related activities. An increase in demand for services and equipment could cause operational, exploration, development or construction costs to increase materially. Inadequate or untimely availability could result in delays of services or equipment and could increase potential scheduling difficulties and costs due to the need to coordinate the availability of services or equipment. Any such material increase in costs would adversely affect the Company's operational and financial performance.

Litigation Risks

All industries, including the mining and fertilizer industries, are subject to legal claims, with and without merit. The Company is involved in current and threatened litigation and may become involved in legal disputes in the future. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding may have a material adverse effect on the Company's operational and financial performance.

Permitting and Licensing Risks

The Company's operations are subject to receiving and maintaining permits and/or licenses from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of permits and licenses for the existing operations, additional permits or licenses for any possible future changes to operations or associated with new legislation. Prior to any development on any of its properties, the Company must receive permits or licenses from appropriate governmental authorities. There can be no assurance that the Company will continue to hold all permits and licenses necessary to develop or continue operating at any particular property.

Land Title and Access Rights Risks

The acquisition of title to mineral properties is a detailed and time-consuming process. Title to, and access to the area of, mineral concessions may be disputed. The Company believes it has taken reasonable measures to ensure proper title and access to its properties, as applicable; however, there is no guarantee that title to any of its properties or access rights will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title or access rights may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Insurance and Uninsured Risks

The Company's business is subject to various risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures, changes in the regulatory environment, foreign government instability and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or fertilizer production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability. Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all of the potential risks associated with the Company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards result from exploration and production is not generally available to the Company or to other companies in the mining and fertilizer industries on commercially acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its operational and financial performance.

Acquisitions and Integration Risks

From time to time, the Company examines opportunities to acquire additional businesses and projects. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete a transaction and established a purchase price or an exchange ratio; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and an acquired business or assets may have unknown liabilities that may be significant. If the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage would increase. If the Company chooses to use equity as consideration for such acquisition, existing members may suffer dilution. Alternatively, the

Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered regarding such acquisitions.

Malicious Acts Risks

Intentional and malicious acts of destruction to the Company's property could hinder the Company's development, production and future sales and may also interrupt the Company's supply chain. The Company's facilities could be damaged, leading to a reduction in operational production capacity and efficiency. Employees, contractors and the public could also suffer substantial physical injury. The consequences of any such actions could damage the Company's reputation, negatively affecting the Company's performance.

Stock Price Volatility Risks

Securities markets worldwide experience significant price and volume fluctuations in response to general economic and market conditions and their effect on various industries. This market volatility could cause the price of the Company's shares to decline significantly, without regard to the Company's operating performance. These fluctuations could be based on numerous factors in addition to those otherwise described in this AIF, including:

- the Company's operating performance and the performance of its competitors;
- the public's reaction to the Company's press releases, other public announcements and filings with the Canadian securities regulators;
- changes in earnings estimates or recommendations by research analysts who follow the Company or other companies in the same industry;
- variations in general economic, market and political conditions;
- actions of current members, including sales of shares by directors and executive officers of the Company;
- the arrival or departure of key personnel; and
- other developments affecting the Company, the fertilizer industry or the Company's competitors.

In addition, in recent years stock markets across the globe have experienced significant price and volume fluctuations. These fluctuations may be unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of the Company's stock.

The Company must also comply with certain listing requirements and maintain its good standing with the TSXV to continue having its shares traded on the TSXV.

Limited Operating History Risks

The Company has a very limited history of operations and has projects that are in the early stage of development. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenue. There is no assurance that the Company will be successful in achieving a return on investment, and the likelihood of the Company's success must be considered in light of its early stage of operations.

Technological Advancement Risks

Future technological advancements, such as development of high quality seeds that require less nutrients or technological advancements in efficacy of application of nutrients, could adversely affect demand for the Company's products and impact results of operations.

Tax Risks

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 and participate in favorable tax programs could significantly affect net income or cash flow in future periods.

Foreign Subsidiaries Risks

Potential limitations and tax liabilities associated with the transfer of cash or other assets between the Company and its Subsidiaries could restrict the Company's ability to fund its operations efficiently. Any such limitations or the perception that such limitations may exist now or in the future could have an adverse impact on the Company's valuation and stock price.

Reputational Damage Risks

Damage to the Company's reputation can be the consequence of various events. Reputation loss extends throughout all risk categories and may result in loss of investor confidence, loss of customer confidence, poor community relations and a decline in employee productivity. Reputation loss could interfere with the Company's ability to execute its strategies. Reputation loss is a negative consequence resulting from these or other risks and can have a detrimental effect on the Company's performance.

Controlling Shareholder Risks

Due to its position as controlling shareholder, CLF can exert control on the Company's overall direction. CLF is able to nominate and elect directors of the Company. Obtaining the controlling shareholder's approval would be required for various significant corporate actions. The Company may rely on commitments of additional capital investments from CLF for future working capital and growth opportunities. There can be no assurance that CLF will commit to such additional capital investments.

Conflicts of Interest Risks

Certain of the Company's directors and officers also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its members, but there can be no assurance in this regard. In addition, each of the Company's directors is required to declare any matter in which such director may have a conflict of interest or which are governed by the procedures set forth in applicable law.

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, 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 ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Evaluations of estimates and judgments occur continuously. Estimates and judgments are based on historical experience and other factors including expectations of future events that are considered reasonable under the circumstances. If the Company's financial condition, 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 financial statements of future periods (see Note 4 in the Consolidate 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

The Company's management 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 year 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 year 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 year ended December 31, 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. In addition, 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 Notes 1 and 28 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 Araxá 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.

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