Management's Discussion and Analysis of Operations and Financial Condition
For the three and six months ended June 30, 2019 and 2018

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

This management's discussion and analysis of operations and financial condition ("MD&A") is as of August 15, 2019 and should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2019 (the "Interim Financial Statements"), the Company's audited consolidated financial statements for the year ended December 31, 2018 (the "Audited Financial Statements") and accompanying management's discussion and analysis of operations and financial condition for the year ended December 31, 2018 (the "Annual MD&A"). Unless otherwise specified, all figures in this MD&A are presented in thousands of US Dollars ("$") and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee applicable to the preparation of condensed interim financial statements, including IAS 34 Interim Financial Reporting.

This MD&A considers both IFRS and certain non-IFRS measures that management considers to evaluate the Company's operational and financial 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. Management believes that the non-IFRS measures provide useful supplemental information to investors, analysts, lenders and others. 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. Non-IFRS financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with IFRS. Definitions and reconciliations of non-IFRS measures to the most directly comparable IFRS measures are included in Section 6 of this MD&A.

This MD&A contains ''forward-looking information" within the meaning of applicable Canadian securities legislation. Management believes that forward-looking information provides useful supplemental information to investors, analysts, lenders and others. In evaluating forward-looking information, investors, lenders and others should consider that forward looking information may not be appropriate for other purposes and are cautioned not to put undue reliance on forward-looking information. 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. Such 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 forward-looking information. 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. Cautionary statements regarding forward-looking information and risks and uncertainties affecting forward-looking information are included in Section 8 of this MD&A.

A copy of this MD&A and additional information relating to the Company is available under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on the Company's website at www.itafos.com.

1. GENERAL COMPANY INFORMATION

OVERVIEW

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 mine and 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 phosphate fertilizer business with production and sales capacity of approximately 500kt per year of single superphosphate ("SSP"), SSP with micronutrients ("SSP+"), premium PK compounds and approximately 40kt per year of excess sulfuric acid located in Tocantins, Brazil;
- Itafos Paris Hills – a high-grade phosphate mine project located in Idaho, US;
- Itafos Farim – a high-grade phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Santana – a vertically integrated high-grade phosphate mine and fertilizer plant project located in Pará, Brazil;
- Itafos Mantaro – a large phosphate mine project located in Junin, Peru; and
- Itafos Araxá – a vertically integrated rare earth elements and niobium mine and extraction plant project located in Minas Gerais, Brazil.

The Company's principal shareholder is CL Fertilizers Holding LLC ("CLF"), formerly known as Zaff LLC. CLF is an affiliate of Castlelake L.P., a global private investment firm (see Note 22 in the Interim 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.

BUSINESSES AND 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 Mantaro	Itafos Araxá
Ownership[i]	100%	97.0%	100%	100%	99.4%	100%	100%
Location	Idaho, US	Tocantins, Brazil	Idaho, US	Farim, Guinea-Bissau	Pará, Brazil	Junin, Peru	Minas Gerais, Brazil
Status	Operating business	Operating business	Near-term project	Near-term project	Mid-term project	Mid-term project	Mid-term project
Reserves	Under review	Under review	Under review	44.0Mt at avg. 30.0% P_2O_5	Under review	Under review	Under review
Measured and indicated resources (including reserves)	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% P_2O_5	60.4Mt at avg. 12.0% P_2O_5	39.5Mt at avg. 10.0% P_2O_5	6.3Mt at avg. 5.0% TREO and at avg. 1.0% Nb_2O_5
Inferred resources	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	376.3Mt at avg. 9.0% P_2O_5	21.9Mt at avg. 4.0% TREO and 0.6% Nb_2O_5
Mine life	Under review	Under review	Under review	25 years	Under review	Under review	Under review
Products	MAP, SPA, MGA and APP	SSP, SSP+, PK compounds and excess sulfuric acid	Phosphate rock	Phosphate rock	SSP and excess sulfuric acid	Phosphate rock	Rare earth oxides and niobium oxide
Annual production and sales capacity[ii]	550kt	500kt SSP, SSP+ and PK compounds and 40kt excess sulfuric acid	1.0Mt	1.3Mt	500kt SSP and 30kt excess sulfuric acid	Under review	8.7kt rare earth oxides and 0.7kt niobium oxide

i. Non-controlling interests represented by preferred non-voting shares issued by Itafos in 2018 upon exercise of warrants held by creditors under the 2016 Brazilian restructuring proceedings.
ii. Itafos Arraias annual production and sales capacity considers design capacity.

The Company's latest respective technical reports are filed on SEDAR. 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 evaluating such technical reports.

The Company's businesses and projects are described in greater detail in the Annual MD&A.

2. HIGHLIGHTS

MARKET HIGHLIGHTS

Global Supply Highlights

For the three months ended June 30, 2019, global supply highlights were as follows:

- adverse weather in the US continued to affect distribution of fertilizer on the inland waterway system as activity was constrained on portions of the Mississippi, Arkansas and Missouri rivers where flooding conditions remained in effect, limiting the ability of barges to move imported product upstream from New Orleans (“NOLA”);
- floods delayed movement of fertilizer via rail in the western US corn belt, which combined with continued imports brought in through NOLA, added to an already oversupplied domestic market; and
- tepid global demand was unable to alleviate the downward pressure on US Gulf phosphate benchmark prices.

Demand Highlights

For the three months ended June 30, 2019, global demand highlights were as follows:

- India continued to import DAP despite sizeable inventories with many importers stockpiling fertilizer as contingency against a potential reduction in the fertilizer subsidies by the new administration, while low fertilizer prices also stimulated significant import demand;
- the Chinese domestic phosphate fertilizer market remained subdued, with excess supply and a poor domestic application season adding pressure to producer margins;
- Middle East consumption softened as activity remained weak on the back of Ramadan; and
- Brazil proved to be a useful outlet for overstocked North American channels as local buyers took advantage of low prices to secure fertilizer ahead of the main application season.

Global Pricing Highlights

For the three months ended June 30, 2019, global pricing highlights were as follows:

- diammonium phosphate (“DAP”) FOB NOLA averaged $350/t, down 11% quarter-over-quarter and 18% year-over-year primarily due to continued oversupply of global markets and subdued US spring applications that exacerbated already elevated fertilizer inventories;
- MAP prices in the west-central US were down quarter-over-quarter owing to the effects of larger than usual inventory builds and slower than usual activity for the autumn fill season
- SPA prices were down quarter-over-quarter as SPA customer contracts are generally reset in June for the year ahead;
- MAP CFR Brazil averaged $377/t, down 10% quarter-over-quarter and 12% year-over-year; and
- lower input prices provided some buffer to producer margins as ammonia prices were down approximately 16% quarter-over-quarter and 12% year-over-year primarily due to new supply from EuroChem’s Kingisepp plant entering the market during a period of low seasonal demand and sulfur prices were down approximately 10% quarter-over-quarter and 22% year-over-year primarily due to new production capacity in the oil and gas sector, which pushed more tonnage from the Middle East into the global market.

BUSINESS HIGHLIGHTS

Itafos Conda

For the three and six months ended June 30, 2019, Itafos Conda continued its strong operational performance with overall production volumes up year-over-year. In addition, Itafos Conda sustained environmental, health and safety excellence with no reportable injuries or chemical releases. Unusually cold and wet weather conditions across key growing regions affected short-term fertilizer buying patterns in the US and caused many growers to defer fertilizer purchases. These developments have increased the fertilizer industry's inventories to near historic highs, putting significant downward pressure on realized phosphate fertilizer prices in the short-term. SPA production and sales were constrained due to finished product rail car and sulfuric acid availability, which were impacted by weather and logistical challenges and correspondingly resulted in a shift to incremental MAP production. Margins were compressed year-over-year primarily due to higher input costs, most notably purchased sulfuric acid, ore and natural gas. The higher inputs costs were related to sulfuric acid contract repricing in 2019, higher ore feed costs driven by increased mining costs and a spike in natural gas price driven by a supply disruption due to an off-site pipeline explosion in late 2018. In addition, Itafos Conda completed a partial planned plant turnaround during H1 2019 and a full planned plant turnaround during H1 2018.

For the three and six months ended June 30, 2018, Itafos Conda's production and sales volumes consider the period from the date of acquisition on January 12, 2018 through June 30, 2018 (see Note 4 in the Interim Financial Statements).

For the three months and six months ended June 30, 2019 and 2018, Itafos Conda's business highlights were as follows:

(unaudited in thousands of US Dollars except for volumes and prices)	*For the three months ended June 30,* **2019**	2018	*For the six months ended June 30,* **2019**	2018
Production volumes (t)				
MAP	92,248	80,814	191,003	173,684
SPA[i]	36,998	34,335	72,531	67,550
MGA[ii]	581	—	611	—
APP	21,107	11,938	26,534	11,938
Sales volumes (t)				
MAP	121,886	75,690	198,763	161,864
SPA[i]	34,195	32,342	67,639	58,497
MGA[ii]	1,231	—	1,261	—
APP	18,900	11,938	21,348	11,938
Realized price ($/t)[iii]				
MAP	$ 402	$ 427	$ 415	$ 415
SPA[iv]	$ 997	$ 918	$ 1,001	$ 904
MGA[v]	$ 555	$ —	$ 565	$ —
APP	$ 472	$ 432	$ 472	$ 432
Revenues ($)				
MAP	$ 48,067	$ 32,333	$ 82,553	$ 67,242
SPA, net	$ 34,082	$ 29,696	$ 67,715	$ 52,903
MGA, net	$ 683	$ —	$ 712	$ —
APP, net	$ 8,925	$ 5,158	$ 10,082	$ 5,158
Adjusted EBITDA[vi]	$ 10,369	$ 16,889	$ 21,825	$ 30,263

i. SPA production and sales volumes (t) are presented on a 100% P_2O_5 basis.
ii. MGA production and sales volumes (t) are presented on a 100% P_2O_5 basis.
iii. Realized price ($/t) is a non-IFRS measure (see Section 6).
iv. SPA realized prices ($/t) are presented on a 100% P_2O_5 basis.
v. MGA realized prices ($/t) are presented on a 100% P_2O_5 basis.
vi. Adjusted EBITDA is a non-IFRS measure (see Section 6).

For the three and six months ended June 30, 2019 and 2018, Itafos Conda's business highlights were explained as follows:

- MAP production volumes were up year-over-year primarily due to a shift to incremental MAP production as a result of SPA production constraints during H1 2019 and shortened Q1 2018 related to acquisition timing;
- MAP sales volumes were up year-over-year despite delayed spring demand as a result of poor weather conditions during H1 2019 primarily due to long-term MAP offtake agreement;
- MAP realized prices were down year-over-year primarily due to pressure on DAP NOLA pricing as a result of challenging global market conditions in H1 2019 as pricing under the long-term MAP offtake agreement is linked

to DAP NOLA;

- SPA production volumes were up year-over-year but below expectations primarily due to SPA production constraints during H1 2019 and shortened Q1 2018 related to acquisition timing;
- SPA sales volumes were up year-over-year primarily due to greater demand during Q1 2019 and shortened Q1 2018 related to acquisition timing;
- SPA realized prices were up year-over-year primarily due to favorable SPA market conditions relative to dry fertilizers during H1 2019;
- revenues were up year-over-year primarily due to higher year-over-year MAP and SPA sales volumes during H1 2019, which were partially offset by lower year-over-year MAP sales pricing during Q1 2019; and
- Adjusted EBITDA was down year-over-year primarily due to higher input costs, most notably purchased sulfuric acid, ore and natural gas.

Itafos Arraias

In July 2017, the Company completed the recommissioning of Itafos Arraias. On July 3, 2018, Itafos Arraias achieved commercial production. Despite having achieved commercial production, Itafos Arraias 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 was 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 were resolved and the business improved, the Efficiency Improvement Plan did not achieve the results expected.

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"). The Repurpose Plan is expected to significantly enhance Itafos Arraias' competitive positioning and profitability while reducing its operational and environmental risk profile. To enable the Repurpose Plan, the Company intends to procure higher grade phosphate rock from third parties and, once operational, from Itafos Farim. During Q2 2019, Itafos Arraias entered into a multi-year contract to purchase higher grade phosphate rock from the OCP Group, with the first delivery of rock expected during Q3 2019. In addition, Itafos Arraias purchased, received and processed higher grade phosphate rock from other third parties during Q2 2019.

In addition, the Company has advanced other aspects of the Repurpose Plan, including activities related to third party phosphate rock logistics, site preparation and product portfolio transition. Third party phosphate rock delivery is in progress, new equipment is being commissioned and approvals have been received to sell the new products. Also in connection with advancing implementation of the repurpose plan, the Company idled Itafos Arraias' existing mines, tailings dam and the beneficiation plant. Notwithstanding, Itafos Arraias will maintain all licenses and permits in good standing and comply with existing regulations.

For the three and six months ended June 30, 2019, Itafos Arraias' production and sales volumes increased quarter-over-quarter as a result of the implementation of the Repurpose Plan. Brazilian buyers continued to curtail purchases of locally produced phosphate fertilizer volume in favor of imported product, taking advantage of US oversupply. Despite lower MAP CFR Brazil prices, Itafos Arraias' realized prices of SSP and SSP+ remained strong, largely driven by the shift in selling of higher grade SSP during Q2 2019 and a strong premium for sulfur based products. In addition, Itafos Arraias completed a planned sulfuric acid plant turnaround during Q1 2019.

For the three and six months ended June 30, 2018, Itafos Arraias had not yet achieved commercial production.

For the three and six months ended June 30, 2019 and 2018, Itafos Arraias' business highlights were as follows:

(unaudited in thousands of US Dollars except for volumes and prices)	*For the three months ended June 30,* **2019**	2018	*For the six months ended June 30,* **2019**	2018
Production volumes (t)				
SSP	19,948	—	26,511	—
SSP+	32,055	—	40,646	—
Excess sulfuric acid[i]	10,600	—	19,394	—
Sales volumes (t)				
SSP	14,917	—	22,050	—
SSP+	27,310	—	33,213	—
Excess sulfuric acid	10,600	—	19,394	—
Realized price ($/t)[ii]				
SSP	$ 220	$ —	$ 202	$ —
SSP+	$ 250	$ —	$ 246	$ —
Excess sulfuric acid	$ 113	$ —	$ 131	$ —
Revenues ($)				
SSP, net	$ 3,290	$ —	$ 4,464	$ —
SSP+, net	$ 6,825	$ —	$ 8,176	$ —
Excess sulfuric acid, net	$ 1,200	$ —	$ 2,548	$ —
Adjusted EBITDA[iii]	$ (7,102)	$ (2,098)	$ (14,738)	$ (4,069)

i. Excess sulfuric acid production volumes (t) are presented net of production for internal consumption.
ii. Realized price ($/t) is a non-IFRS measure (see Section 6).
iii. Adjusted EBITDA is a non-IFRS measure (see Section 6).

For the three and six months ended June 30, 2019, Itafos Arraias' business highlights were as follows:

- SSP and SSP+ production and sales volumes were lower than expected primarily due to implementation of the Efficiency Improvement Plan and subsequent implementation of the Repurpose Plan during H1 2019;
- SSP and SSP+ realized prices remained strong primarily due to the shift in selling higher grade SSP during Q2 2019 and strong premium for sulfur based products, despite challenging global market conditions that impacted pricing for phosphate products during H1 2019;
- excess sulfuric acid production and sales volumes were limited by Itafos Arraias' sulfuric acid plant turnaround, which was successfully completed during Q1 2019 and an oversupplied market during H1 2019 limited spot sales opportunities; and
- excess sulfuric acid realized prices were slightly lower than expected due to an oversupplied market during H1 2019.

For the three and six months ended June 30, 2019 and 2018, Itafos Arraias' business highlights were as follows:

- revenues were up year-over-year due to recognition of revenue during H1 2019 whereas during H1 2018 Itafos Arraias had not yet achieved commercial production; and
- Adjusted EBITDA was down year-over-year primarily due to recognition of cost of goods sold during H1 2019 whereas during H1 2018 Itafos Arraias had not yet achieved commercial production.

FINANCIAL HIGHLIGHTS

For the three and six months ended June 30, 2019 and 2018, the Company's financial highlights were as follows:

(unaudited in thousands of US Dollars except for per share amounts)		*For the three months ended June 30,* **2019**		2018		*For the six months ended June 30,* **2019**		2018
Revenues, net	$	103,072	$	67,187	$	176,250	$	125,303
Operating income (loss)	$	(14,079)	$	8,605	$	(20,089)	$	11,246
Net income (loss)		(21,597)		4,736		(34,928)		56,060
Adjusted EBITDA[i]		(1,398)		12,120		(470)		21,532
Maintenance capex[ii]	$	11,861	$	20,045	$	17,047	$	21,790
Growth capex[iii]		3,164		7,121		6,180		14,233
Basic loss per share	$	(0.15)	$	0.03	$	(0.25)	$	0.41
Fully diluted income (loss) per share	$	(0.15)	$	0.03	$	(0.25)	$	0.41

i. Adjusted EBITDA is a non-IFRS measure (see Section 6).
ii. Maintenance capex is a non-IFRS measure (see Section 6).
iii. Growth capex is a non-IFRS measure (see Section 6).

For the three and six months ended June 30, 2019 and 2018, the Company's financial highlights were explained as follows:

- revenues were up year-over-year primarily due to higher MAP and SPA sales volumes at Itafos Conda and revenue contributions from Itafos Arraias during H1 2019, which had not achieved commercial production during H1 2018;
- net income (loss) was down year-over-year primarily due to a gain on the fair valuation of Itafos Conda and a gain from investments in associates related to the GB Minerals Ltd. ("GBL") Arrangement during Q1 2018 (see Note 4 in the Interim Financial Statements);
- adjusted EBITDA was down year-over-year primarily due to higher input costs at Itafos Conda and constrained production due to implementation of the Repurpose Plan at Itafos Arraias during H1 2019, which had not achieved commercial production during H1 2018 (see Section 6);
- maintenance capex was down year-over-year primarily due to a partial planned plant turnaround at Itafos Conda during H1 2019 compared to a full planned plant turnaround at Itafos Conda during H1 2018; and
- growth capex was down year-over-year primarily due to the capitalization of costs at Itafos Arraias during H1 2018 ahead of achieving commercial production, which were partially offset by growth capex primarily related to development of Itafos Farim during H1 2019.

As at June 30, 2019 and December 31, 2018, the Company's financial highlights were as follows:

(unaudited in thousands of US Dollars)		**June 30, 2019**		December 31, 2018
Total assets	$	566,575	$	576,419
Total liabilities		330,249		304,640
Net debt[i]		159,884		152,088
Total equity		236,326		271,779

i. Net debt is a non-IFRS measure (see Section 6).

As at June 30, 2019 and December 31, 2018, the Company's financial highlights were explained as follows:

- total assets were down period-over-period primarily due to decreases in receivables and inventory at Itafos Conda and increases in depreciation of assets in service during H1 2019, which were partially offset by an increase in property, plant and equipment related to the application of IFRS 16 during H1 2019 (see Note 7 in the Interim Financial Statements);
- total liabilities were up period-over-period primarily due to increases as a result of the recognition of lease liabilities related to the application of IFRS 16 (see Note 13 in the Interim Financial Statements) and increases in long-term provisions due to additions to asset retirement obligations at Itafos Conda during H1 2019;
- net debt was up period-over-period primarily due to paid-in-kind interest expense at corporate and additional equipment financing at Itafos Conda during H1 2019 (see Section 6); and
- total equity was down period-over-period primarily due to an increase in deficit due to the net loss and a decrease in share capital due to the repurchase of shares through the Normal Course Issuer Bid ("NCIB") during H1 2019 (see Note 14 in the Interim Financial Statements).

OTHER HIGHLIGHTS

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 been 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.

For the period December 31, 2018 through June 30, 2019, the Company repurchased 1,771,500 shares through the NCIB for an aggregate amount of $1,028. As at June 30, 2019, the Company had cancelled the 1,771,500 shares repurchased through the NCIB (see Note 14 of the Interim Financial Statements).

3. OUTLOOK

MARKET OUTLOOK

Global Supply Outlook

The Company's outlook on global supply is as follows:

- Chinese producers have pledged to cut supply by up to 40% in Q3 2019, equivalent to 1.5Mt-2.0Mt of product, in order to raise the DAP price floor, which is trading at its lowest level since prices decreased dramatically in H1 2016;
- OCP has become more aggressive placing volume in East Africa, which is a region traditionally supplied by Ma'aden; and
- Ma'aden is beginning to increase output more significantly from Wa'ad Al-Shamal, where technical issues had constrained the ramp-up since commissioning in 2017.

Global Demand Outlook

The Company's outlook on global demand is as follows:

- India demand remains weak on the delayed monsoon and excessive DAP inventories. India has reportedly imported 5Mt of DAP through the year and buyers are well covered, such that there is no rush to secure volumes, with most buyers expecting prices to continue retreating over the coming months;
- Indian demand is apt to remain subdued until late Q4 2019 or Q1 2020 as the nutrient-based government subsidy allowance is unlikely to be announced until Q4 2019;
- in Europe, demand is seasonally low and fertilizer prices are under downward pressure as product from North Africa and Russia competes for market share;
- some additional demand has emerged in South Africa as Foskor sought to replenish stocks after its Q2 2019 plant outage materially reduced domestic supply; and
- there remains potential demand upside in Canada, where Nutrien idled its Redwater MAP plant in May 2019.

Global Pricing Outlook

The Company's outlook on global pricing is as follows:

- prices are expected to remain challenged in the near-term as elevated inventories take time to draw down, particularly in the US;
- suppliers, including China's main phosphate producers, are expected to respond to lower phosphate prices and uncertain near-term demand growth by cutting operating rates;
- lower input prices are expected to continue to provide some buffer to producer margins in the near-term as global sulfur prices are expected to remain depressed as the raw material demand remains muted and global ammonia markets remain oversupplied in the near-term.

US Outlook

The Company's outlook on the US market is as follows:

- prices are expected to remain under pressure in the near-term due to high inventories that continued to accumulate because of heavy rains and flooding that caused inland distribution waterways to close;
- the spring 2019 domestic application season is over and summer fill business offers only a short application window to relieve inventory pressures; and
- despite some market participants' expectations that demand would be pulled through by mid-July, summer barge activity was seasonably thin and is forecasted to remain subdued through September 2019.

Brazil Outlook

The Company's outlook on the Brazilian market is as follows:

- phosphate demand is retreating in the near-term as buyers have secured adequate tonnage over recent months, most notably from North America's oversupplied inventories; and
- fertilizer demand from the upcoming corn growing season may help relieve some supply pressure by late Q3 2019; however, upside may be limited as global suppliers are expected to continue to compete for market share in Brazil.

BUSINESS OUTLOOK

The Company is executing its strategy by focusing on:

- extending Itafos Conda's current mine life through advancing permitting of Itafos Paris Hills and Itafos Husky 1/North Dry Ridge ("H1NDR") and other alternatives;
- optimizing Itafos Conda's EBITDA generation potential;
- 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;
- finalizing permitting, negotiating offtake agreements, finalizing works contractors and procurement packages and securing project financing for Itafos Farim; and
- maintaining the integrity of the concessions and evaluating strategic alternatives for Itafos Santana, Itafos Mantaro and Itafos Araxá.

Itafos Conda

Itafos Conda is a vertically integrated phosphate mine and fertilizer business representing approximately 7% of US phosphate market capacity. Itafos Conda is strategically positioned in southeast Idaho, in close proximity to key North American fertilizer markets. On January 12, 2018, the Company completed the acquisition of Itafos Conda (see Note 4 in the Interim 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 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 optimizing Itafos Conda's EBITDA generation potential.

Itafos H1NDR's development milestones are as follows:

Milestone	Status	Highlights
Preliminary economic analysis	Ongoing	▪ Technical report in process
Exploration and development	Ongoing	▪ Exploration drilling on Husky 1 lease (includes five historic programs and three future programs) ▪ Exploration drilling on North Dry Ridge lease (includes two historic programs and three future programs) ▪ Metallurgical drilling program to be completed
Environmental Impact Statement ("EIS")	Ongoing	▪ EIS being developed by Bureau of Land Management
Environmental monitoring	Ongoing	▪ Environmental baselines completed for all resources except geochemical and groundwater, which are in process ▪ Environmental monitoring ongoing
Permits and licenses	Ongoing	▪ Secured ownership of federal phosphate leases for Husky 1 and North Dry Ridge ▪ Initiated National Environmental Policy Act process ▪ Primary federal and state permitting in process
Engineering, studies and fieldwork	Ongoing	▪ Geotechnical slope stability analysis completed ▪ Groundwater fate and transport modeling in process and stormwater management plan to be created ▪ Metallurgy analysis in process ▪ Updated Mine and Reclamation Plan in process ▪ Analysis of existing and new infrastructure in process

Itafos Conda's optimization milestones are as follows:

Milestone	Status	Highlights
Semi-specialty fertilizers (MAP + micronutrients)	Process design	▪ On track to produce test batch in Q3 2019 ▪ Plan to fully integrate into production plan if test batch is successful
Operations and cost to serve	Proposal	▪ Proposal received for Lean Six Sigma deployment with projected payback of less than one year
Sulfuric acid plant expansion and cogeneration	Evaluation	▪ Pre-feasibility study originally completed in 2015 ▪ To receive updated proposals for construction and reinitiate evaluation
Rock cost optimization	Pilot testing	▪ Tailings characterization in progress by technical advisor
Byproduct (trace element 1)	Pilot testing	▪ Pilot testing in progress by technical advisor
Byproduct (trace element 2)	Pilot testing	▪ Pilot testing in progress by technical advisor
Increased P_2O_5 throughput	Concept	▪ Discussions taking place with technical advisors to evaluate feasibility

Itafos Arraias

Itafos Arraias was designed as a vertically integrated phosphate fertilizer business representing approximately 7% of Brazil phosphate market capacity. Itafos Arraias is strategically located in the Cerrado region of Brazil, one of the fastest growing fertilizer markets in the world. In July 2017, the Company completed the recommissioning of Itafos Arraias. On July 3, 2018, Itafos Arraias achieved commercial production. Despite having achieved commercial production, Itafos Arraias 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 (see Section 2).

Itafos Arraias's Repurpose Plan milestones are as follows:

Milestone	Status	Highlights
Care and maintenance plan	Completed	▪ Mines idled and mining contracts terminated ▪ Tailings dam and beneficiation plant operations ceased ▪ Fixed cost savings measures completed ▪ Maintaining licenses and permits in good standing to comply with existing regulations
High grade phosphate rock procurement	Ongoing	▪ Purchased, received and processed domestic rock from third parties in Q2 2019 ▪ Supply phosphate rock supply agreement with the OCP Group in Q2 2019 ▪ Ongoing discussions with domestic phosphate rock suppliers
Third party phosphate rock logistics and site preparation	Ongoing	▪ Identified multiple import options for phosphate rock ▪ Negotiated logistics contracts for delivery of phosphate rock from port to site ▪ Advanced onsite modifications for receipt of inputs ▪ Intermediate and final product warehousing modifications in process
Product portfolio transition	Ongoing	▪ Plan to migrate product portfolio to higher grade SSP, SSP+ and PK compounds ▪ Approvals to sell new products received ▪ Ball mill start-up expected to increase P_2O_5 conversion ▪ Ongoing discussions regarding sales and marketing agreement with leading players

Itafos Paris Hills

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. 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. 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 Paris Hills' development milestones are as follows:

Milestone	Status	Highlights
Feasibility study	Ongoing	▪ Estimates for resources determined for lower and upper zones with exploration potential in upturned limb ▪ Technical report in process of being updated
Environmental baseline monitoring	Ongoing	▪ Surface water baseline monitoring ongoing ▪ Groundwater baseline monitoring ongoing
Permits and licenses	Ongoing	▪ Mineral leases with the state of Idaho received ▪ Primary permit applications, supporting document and modeling for Air Quality, Groundwater Discharge and Groundwater monitoring largely complete
Engineering, studies and fieldwork	Ongoing	▪ 30 day aquifer pump test completed ▪ Hydrogeologic modeling and mine dewatering estimates completed ▪ Hydrogeologic model updated with more dewatering analysis recommended

Itafos Farim

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. On February 27, 2018, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of GBL, the owner of Itafos Farim (see Note 4 in the Interim Financial Statements). Currently, the Company is focusing on finalizing permitting, negotiating offtake agreements, finalizing works contractors and procurement packages and securing project financing for Itafos Farim.

Itafos Farim's development milestones are as follows:

Milestone	Status	Highlights
Feasibility study	Complete	▪ Reviewed by independent technical consultants
Environmental and social impact assessment ("ESIA")	Complete	▪ Based on IFC guidelines and Equator principles and reviewed by independent technical consultants
Environmental baseline monitoring	Ongoing	▪ Baseline air, noise and water quality measurements taken
Resettlement action plan	Complete	▪ Construction of the first phase of resettlement began during Q2 2019 ▪ Relocation of first families expected to occur during Q1 2020 ▪ Remaining resettlements expected over an 18-24 month period
Permits and licenses	Near complete	▪ Environmental and operating permits approved
Engineering, studies and fieldwork	Ongoing	▪ River bathymetry study complete and navigable route determined ▪ Detailed engineering of the wharf at port site well advanced ▪ Geotech and hydrogeological drilling complete
Execution	Near complete	▪ Signed engineering, procurement and construction management agreements for both mine site and port site development ▪ Detailed engineering nearly complete ▪ Works contractors and procurement packages well advanced
Offtake agreements	Ongoing	▪ Negotiation of offtake agreements in process
Financing	Ongoing	▪ Extensive due diligence completed ▪ Board meeting for final lender approval expected for H2 2019

Mid-Term Pipeline

Currently, the Company is focusing on maintaining the integrity of the concessions and evaluating strategic alternatives for Itafos Santana, Itafos Mantaro and Itafos Araxá.

4. OVERVIEW OF RESULTS

SUMMARY OF QUARTERLY RESULTS

For the three months ended June 30, 2019, March 31, 2019, December 31, 2018 and September 30, 2018, the Company's summary of quarterly results was as follows:

(unaudited in thousands of US Dollars except for per share amounts)	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Net income (loss)	$ (21,597)	$ (13,331)	$ (153,497)	$ (14,096)
Basic income (loss) per share	(0.15)	(0.09)	(1.08)	(0.10)
Diluted income (loss) per share	(0.15)	(0.09)	(1.08)	(0.10)
Total assets	$ 566,575	$ 575,339	$ 576,419	$ 749,189

For the three months ended June 30, 2018, March 31, 2018, December 31, 2017 and September 30, 2017, the Company's summary of quarterly results was as follows:

(unaudited in thousands of US Dollars except for per share amounts)	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Net income (loss)	$ 4,736	$ 51,324	$ (7,936)	$ (8,963)
Basic income (loss) per share	0.03	0.37	(0.01)	(0.11)
Diluted income (loss) per share	0.03	0.36	(0.01)	(0.11)
Total assets	$ 760,789	$ 692,369	$ 421,291	$ 341,702

5. STATEMENTS OF OPERATIONS

For the three and six months ended June 30, 2019 and 2018, the Company's statements of operations were as follows:

(unaudited in thousands of US Dollars except for per share amounts)	*For the three months ended June 30,* 2019	2018	*For the six months ended June 30,* 2019	2018
Revenues, net	**$ 103,072**	**$ 67,187**	**$ 176,250**	**$ 125,303**
Cost of goods sold	110,022	53,780	183,362	101,032
	$ (6,950)	**13,407**	**$ (7,112)**	**24,271**
Expenses				
Selling, general and administrative expenses	7,129	4,802	12,977	13,025
Operating income (loss)	**$ (14,079)**	**$ 8,605**	**$ (20,089)**	**$ 11,246**
Foreign exchange gain (loss)	(958)	1,066	(1,816)	1,037
Other income (expense), net	(2,472)	235	(1,772)	44
Gain on fair valuation of Itafos Conda, net	—	—	—	46,902
Finance expense, net	(5,621)	(3,479)	(11,062)	(5,604)
Gain from investments in associates	—	1	—	7,910
Income (loss) before income taxes	**$ (23,130)**	**$ 6,428**	**$ (34,739)**	**$ 61,535**
Current and deferred income tax expense (recovery)	(1,533)	1,692	189	5,475
Net income (loss) attributable to shareholders of the parent	**$ (21,597)**	**4,736**	**$ (34,928)**	**56,060**
Net loss attributable to non-controlling interest	—	—	—	—
Net income (loss)	**$ (21,597)**	**$ 4,736**	**$ (34,928)**	**$ 56,060**
Basic income (loss) per share	**$ (0.15)**	**$ 0.03**	**$ (0.25)**	**$ 0.41**
Fully diluted income (loss) per share	**$ (0.15)**	**$ 0.03**	**$ (0.25)**	**$ 0.41**

For the three and six months ended June 30, 2019 and 2018, the Company's statements of operations were explained as follows:

- revenues were up year-over-year primarily due to higher MAP and SPA sales volumes at Itafos Conda and revenue contributions from Itafos Arraias during H1 2019, which had not achieved commercial production during H1 2018;
- cost of goods sold was up year-over-year primarily due to higher input costs at Itafos Conda and constrained production due to implementation of the Repurpose Plan at Itafos Arraias during H1 2019, which had not achieved commercial production during H1 2018 (see Section 6);
- selling, general and administrative expenses were down year-over-year primarily due to transaction costs recognized during H1 2018, which were partially offset by increased payroll expenses during H1 2019;
- foreign exchange loss was up year-over-year primarily due to fluctuations of the Brazilian Real;
- other expense was up year-over-year primarily due to an increase in labor contingency during Q2 2019, which was partially offset by other income received from a third party to run power lines through Itafos Conda property during Q1 2019;
- gain on fair valuation of Itafos Conda was due to a one-time event related to the acquisition of Itafos Conda during Q1 2018 (see Note 4 in the Interim Financial Statements);
- finance expense was up year-over-year primarily due to interest expense at corporate and application of IFRS 16 during H1 2019; and
- gain from investments in associates was due to a one-time event related to the completion of the GBL Arrangement during Q1 2018 (see Note 4 in the Interim Financial Statements); and
- current and deferred income tax expense was down year-over-year primarily due to a decrease in estimated tax payable provision for Itafos Conda during H1 2019.

6. NON-IFRS FINANCIAL MEASURES

DEFINITIONS

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)
Total capex	Additions to property, plant, and equipment and mineral properties adjusted for additions to asset retirement obligations, additions to right of use assets and capitalized interest	Additions to property, plant and equipment and mineral properties
Maintenance capex	Portion of total capex relating to the maintenance of ongoing operations of the Company	Additions to property, plant and equipment and mineral properties
Growth capex	Portion of total capex relating to development of growth opportunities of the Company	Additions to property, plant and equipment and mineral properties
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

EBITDA AND ADJUSTED EBITDA

For the three months ended June 30, 2019 and 2018

For the three months ended June 30, 2019 the Company had EBITDA and Adjusted EBITDA by segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Net income (loss)	**$ 560**	**$ (11,377)**	**$ 221**	**$ (11,001)**	**$ (21,597)**
Finance (income) expense, net	85	109	(44)	5,471	5,621
Current and deferred income tax	(1,837)	—	—	304	(1,533)
Depreciation and depletion	11,841	1,640	31	50	13,562
EBITDA	**$ 10,649**	**$ (9,628)**	**$ 208**	**$ (5,176)**	**$ (3,947)**
Unrealized foreign exchange (gain) loss	(25)	(208)	(60)	(42)	(334)
Share-based payment (recovery) expense	—	—	—	412	412
Other (income) expense, net	(255)	2,734	—	(7)	2,472
Adjusted EBITDA	**$ 10,369**	**$ (7,102)**	**$ 148**	**$ (4,813)**	**$ (1,398)**

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Operating income (loss)	**$ (1,615)**	**$ (7,187)**	**$ (15)**	**$ (5,262)**	**$ (14,079)**
Depreciation and depletion	11,841	1,640	31	50	13,562
Foreign exchange gain (loss) - realized	143	(1,555)	132	(13)	(1,292)
Share-based payment (recovery) expense	—	—	—	412	412
Adjusted EBITDA	**$ 10,369**	**$ (7,102)**	**$ 148**	**$ (4,813)**	**$ (1,398)**

For the three months ended June 30, 2019, Adjusted EBITDA increased by $1,092 due to the impact of IFRS 16 initial application (see Note 3 in the Interim Financial Statements).

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

(unaudited in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Net income (loss)	**$**	**11,909**	**$**	**(657)**	**$**	**(1,113)**	**$**	**(5,403)**	**$**	**4,736**
Finance expense, net		179		175		65		3,060		3,479
Current and deferred income tax		1,399		—		—		293		1,692
Depreciation and depletion		3,377		74		—		(18)		3,433
EBITDA	**$**	**16,864**	**$**	**(408)**	**$**	**(1,048)**	**$**	**(2,068)**		13,340
Unrealized foreign exchange (gain) loss		6		(1,448)		588		(187)		(1,041)
Share-based payment (recovery) expense		—		—		—		(110)		(110)
Gain on fair valuation of Itafos Conda, net		—		—		—		—		—
Other (income) expense, net		19		(242)		1		(13)		(235)
Gain from investment in associates		—		—		(1)		—		(1)
Transaction costs		—		—		—		167		167
Adjusted EBITDA	**$**	**16,889**	**$**	**(2,098)**	**$**	**(460)**	**$**	**(2,211)**	**$**	**12,120**

(unaudited in thousands of US Dollars)		Itafos Conda		Itafos Arraias		Development and exploration		Corporate		Total
Operating income (loss)	**$**	**13,507**	**$**	**(1,786)**	**$**	**(994)**	**$**	**(2,122)**	**$**	**8,605**
Depreciation and depletion		3,377		74		—		(18)		3,433
Foreign exchange gain (loss) - realized		5		(386)		534		(128)		25
Share-based payment (recovery) expense		—		—		—		(110)		(110)
Transaction costs		—		—		—		167		167
Adjusted EBITDA	**$**	**16,889**	**$**	**(2,098)**	**$**	**(460)**	**$**	**(2,211)**	**$**	**12,120**

For the three months ended June 30, 2018, Adjusted EBITDA was not impacted by IFRS 16 (see Note 3 in the Interim Financial Statements).

For the six months ended June 30, 2019 and 2018

For the six months ended June 30, 2019, the Company had EBITDA and Adjusted EBITDA by segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Net income (loss)	**$ 5,792**	**$ (21,488)**	**$ (363)**	**$ (18,869)**	**$ (34,928)**
Finance (income) expense, net	189	81	21	10,771	11,062
Current and deferred income tax	(391)	—	—	580	189
Depreciation and depletion	17,100	3,767	43	99	21,009
EBITDA	**$ 22,690**	**$ (17,640)**	**$ (299)**	**$ (7,419)**	**$ (2,668)**
Unrealized foreign exchange (gain) loss	(14)	181	5	(7)	165
Share-based payment (recovery) expense	—	—	—	261	261
Other (income) expense, net	(851)	2,721	3	(101)	1,772
Adjusted EBITDA	**$ 21,825**	**$ (14,738)**	**$ (291)**	**$ (7,266)**	**$ (470)**

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Operating income (loss)	**$ 4,592**	**$ (16,672)**	**$ (421)**	**$ (7,588)**	**$ (20,089)**
Depreciation and depletion	17,100	3,767	43	99	21,009
Foreign exchange gain (loss) - realized	133	(1,833)	87	(38)	(1,651)
Share-based payment (recovery) expense	—	—	—	261	261
Adjusted EBITDA	**$ 21,825**	**$ (14,738)**	**$ (291)**	**$ (7,266)**	**$ (470)**

For the six months ended June 30, 2018, the Company had EBITDA and Adjusted EBITDA by segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Net income (loss)	**$ 65,591**	**$ (3,088)**	**$ 6,111**	**$ (12,554)**	**$ 56,060**
Finance expense, net	320	313	100	4,871	5,604
Current and deferred income tax	4,859	—	—	616	5,475
Depreciation and depletion	6,423	74	—	21	6,518
EBITDA	**$ 77,193**	**$ (2,701)**	**$ 6,211**	**$ (7,046)**	73,657
Unrealized foreign exchange (gain) loss	6	(1,370)	618	(266)	(1,012)
Share-based payment (recovery) expense	—	—	—	506	506
Gain on fair valuation of Itafos Conda, net	(46,902)	—	—	—	(46,902)
Other (income) expense, net	(34)	2	1	(13)	(44)
Gain from investment in associates	—	—	(7,910)	—	(7,910)
Transaction costs	—	—	—	3,237	3,237
Adjusted EBITDA	**$ 30,263**	**$ (4,069)**	**$ (1,080)**	**$ (3,582)**	**$ 21,532**

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Operating income (loss)	**$ 23,835**	**$ (3,757)**	**$ (1,614)**	**$ (7,218)**	**$ 11,246**
Depreciation and depletion	6,423	74	—	21	6,518
Foreign exchange gain (loss) - realized	5	(386)	534	(128)	25
Share-based payment (recovery) expense	—	—	—	506	506
Transaction costs	—	—	—	3,237	3,237
Adjusted EBITDA	**$ 30,263**	**$ (4,069)**	**$ (1,080)**	**$ (3,582)**	**$ 21,532**

For the six months ended June 30, 2018, Adjusted EBITDA was not impacted by IFRS 16 (see Note 3 in the Interim Financial Statements).

CAPEX

For the three months ended June 30, 2019 and 2018

For the three months ended June 30, 2019, the Company had capex by segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Additions to property, plant and equipment	$ 14,079	$ 983	$ —	$ 22	$ 15,084
Additions to mineral properties	828	—	1,425	—	2,253
Additions to asset retirement obligations	(1,861)	—	—	—	(1,861)
Additions to right of use assets	—	—	—	—	—
Capitalized interest	(451)	—	—	—	(451)
Total capex	**$ 12,595**	**$ 983**	**$ 1,425**	**$ 22**	**$ 15,025**
Maintenance capex	11,272	567	—	22	11,861
Growth capex	1,323	416	1,425	—	3,164

For the three months ended June 30, 2018, the Company had capex by segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Additions to property, plant and equipment	$ 21,886	$ 8,998	$ —	$ 14	$ 30,898
Additions to mineral properties	—	—	860	—	860
Additions to asset retirement obligations	(1,855)	—	—	—	(1,855)
Additions to right of use assets	—	—	—	—	—
Capitalized interest	—	(2,737)	—	—	(2,737)
Total capex	**$ 20,031**	**$ 6,261**	**$ 860**	**$ 14**	**$ 27,166**
Maintenance capex	20,031	—	—	14	20,045
Growth capex	—	6,261	860	—	7,121

For the six months ended June 30, 2019 and 2018

For the six months ended June 30, 2019, the Company had capex by segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Additions to property, plant and equipment	$ 19,000	$ 4,172	$ 265	$ 33	$ 23,470
Additions to mineral properties	1,603	—	3,101	—	4,704
Additions to asset retirement obligations	(3,736)	—	—	—	(3,736)
Additions to right of use assets	(370)	—	—	—	(370)
Capitalized interest	(841)	—	—	—	(841)
Total capex	**$ 15,656**	**$ 4,172**	**$ 3,366**	**$ 33**	**$ 23,227**
Maintenance capex	13,845	3,169	—	33	17,047
Growth capex	1,811	1,003	3,366	—	6,180

For the six months ended June 30, 2018, the Company had capex by segment as follows:

(unaudited in thousands of US Dollars)	Itafos Conda	Itafos Arraias	Development and exploration	Corporate	Total
Additions to property, plant and equipment	$ 46,198	$ 17,519	$ 200	$ 47	$ 63,964
Additions to mineral properties	1,240	—	1,204	—	2,444
Additions to asset retirement obligations	(25,695)	—	—	—	(25,695)
Additions to right of use assets	—	—	—	—	—
Capitalized interest	—	(4,690)	—	—	(4,690)
Total capex	**$ 21,743**	**$ 12,829**	**$ 1,404**	**$ 47**	**$ 36,023**
Maintenance capex	21,743	—	—	47	21,790
Growth capex	—	12,829	1,404	—	14,233

NET DEBT

As at June 30, 2019 and December 31, 2018, the Company's net debt was as follows:

(unaudited in thousands of US Dollars)	June 30, 2019	December 31, 2018
Current debt	$ 1,346	$ 325
Current debentures	1,054	942
Long-term debt	168,960	160,258
Long-term debentures	2,456	2,588
Cash and cash-equivalents	(13,932)	(9,919)
Short-term investments	—	(2,106)
Total net debt	**$ 159,884**	**$ 152,088**

7. 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, 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 received a commitment from CLF in July 2019 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 15 months (see Notes 2 and 23 in the Interim Financial Statements).

As at June 30, 2019 and December 31, 2018, the Company's working capital was as follows:

(unaudited in thousands of US Dollars)		**June 30, 2019**		December 31, 2018
Cash	$	13,932	$	9,919
Accounts receivable		30,815		35,907
Short-term investments		—		2,106
Inventories, net		112,318		133,840
Other current assets		9,250		12,704
Accounts payable and accrued liabilities		(75,562)		(75,601)
Provisions		(2,385)		(494)
Current debt		(1,346)		(325)
Contract liabilities		(1,990)		(2,067)
Current debentures		(1,054)		(942)
Other current liabilities		(3,078)		—
Working capital[i]	**$**	**80,900**	**$**	**115,047**

i. Working capital is a non-IFRS financial measure (see Section 6).

On January 12, 2018, the Company completed the acquisition of Itafos Conda (see Note 4 in the Interim Financial Statements). With the acquisition of Itafos Conda, a cash flow generating business, the Company has further solidified its operating performance and financial position.

On June 6, 2018, the Company closed a $165,000 secured term credit facility (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 12 in the Interim Financial Statements).

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

BALANCE SHEETS

As at June 30, 2019 and December 31, 2018, the Company's summary balance sheets were as follows:

(unaudited in thousands of US Dollars)		**June 30, 2019**		December 31, 2018
Cash	$	13,932	$	9,919
Current assets (including cash)	$	166,315	$	194,476
Non-current assets		400,260		381,943
Total assets	**$**	**566,575**	**$**	**576,419**
Current liabilities (excluding current portion of debt)	$	84,069	$	79,104
Non-current liabilities (excluding long-term debt)		76,129		64,953
Debt (current and long-term)		170,051		160,583
Total liabilities	**$**	**330,249**	**$**	**304,640**
Equity attributable to shareholders of the parent	$	227,264	$	262,717
Non-controlling interest		9,062		9,062
Total equity	**$**	**236,326**	**$**	**271,779**

As at June 30, 2019 and December 31, 2018, the Company's summary balance sheets were explained as follows:

- total current assets were down period-over-period primarily due to decreases in accounts receivable, inventory and vendor deposits at Itafos Conda during H1 2019;
- total non-current assets were up period-over-period primarily due to increases in plant, property and equipment related to the initial application of IFRS 16 (see Note 3 in the Interim Financial Statements), in fixed asset additions primarily at Itafos Conda and Itafos Arraias (see Note 7 in the Interim Financial Statements) and in additions to asset retirement obligations at Itafos Conda during H1 2019, which were partially offset by an increase in depreciation of assets in service during H1 2019 (see Note 8 in the Interim Financial Statements);
- total current liabilities were up period-over-period primarily due to decreases in accounts payable and accrued liabilities as a result of credits granted through the MAP offtake agreement during H1 2019 (see Note 4 in the Interim Financial Statements), which were partially offset by an increase in other current liabilities as a result of the recognition of lease liabilities related to the application of IFRS 16 during H1 2019 (see Note 13 in the Interim Financial Statements);
- total long-term liabilities were up period-over-period primarily due to increases in other long-term liabilities due to the recognition of lease liabilities related to the application of IFRS 16 (see Note 13 in the Interim Financial Statements) and in long-term provisions due to additions to asset retirement obligations at Itafos Conda during H1 2019 (see Note 11 in the Interim Financial Statements);
- long-term debt was up period-over-period primarily due to paid-in-kind interest expense at corporate and additional equipment financing at Itafos Conda during H1 2019 (see Note 12 in the Interim Financial Statements); and
- total equity was down period-over-period primarily due to an increase in deficit due to the net loss and a decrease in share capital due to the repurchase of shares through the NCIB during H1 2019 (see Note 14 in the Interim Financial Statements).

As at June 30, 2019 and December 31, 2018, the Company did not have any significant off-balance sheet arrangements.

CAPITAL RESOURCES

As at June 30, 2019, the Company's shares, Canadian debentures and restricted share units were as follows:

	Issue date		Exercise price	Securities outstanding
Shares	—	$	—	140,298,801
Canadian debentures	October 27, 2016		C$25.00	101,329
Restricted share units	—	$	—	4,829,049

As at June 30, 2019, CLF beneficially owned and controlled 84,624,844 shares of the Company, representing approximately 60.3% of the issued and outstanding shares on an undiluted basis. As at December 31, 2018, CLF beneficially owned and controlled 81,980,064 shares of the Company, representing approximately 57.7% of the issued and outstanding shares on an undiluted basis (see Note 14 in the Interim Financial Statements). CLF is a related party (see Note 22 in the Interim Financial Statements).

On June 6, 2018, the Company issued 2,750,000 shares to the syndicate of lenders (including CLF) in connection with the closing of the Facility (see Note 12 in the Interim Financial Statements).

On February 27, 2018, the Company issued 11,301,732 shares to GBL shareholders in connection with the GBL Arrangement (see Note 4 in the Interim Financial Statements).

FOREIGN EXCHANGE

The Company's presentation and functional currency is US Dollars ("$"). On February 27, 2018, the Company completed the acquisition of all of the issued and outstanding common shares not previously owned, directly or indirectly, by the Company of GBL, the owner of Itafos Farim (see Note 4 in the Interim Financial Statements). GBL's functional currency was Canadian Dollars and the functional currency of its subsidiary Itafos Farim, Sarl (formerly known as GBM Minerais Sarl) was Central African Francs. In May 2019, GBL changed its functional currency from Canadian Dollars to US Dollars and Itafos Farim, Sarl changed its functional currency from Central African Francs to US Dollars (see Note 2 in the Interim Financial Statements).

CASH FLOWS

For the three and six months ended June 30, 2019 and 2018, the Company's cash flows were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
(unaudited in thousands of US Dollars)	**2019**	2018	**2019**	2018
Cash flows from (used by) operating activities	$ 15,055	$ 6,974	$ 22,486	$ (5,960)
Cash flows used by investing activities	(9,039)	(15,497)	(12,109)	(116,868)
Cash flows from (used by) financing activities	(2,615)	60,738	(6,337)	122,159
Effect of foreign exchange of non-US Dollar denominated cash	(19)	(114)	(27)	(112)
Increase (decrease) in cash	**$ 3,382**	**$ 52,101**	**$ 4,013**	**$ (781)**

For the three and six months ended June 30, 2019 and 2018, the Company's cash flows were explained as follows:

- cash flows from (used by) operating activities were up year-over-year primarily due to net change in non-cash working capital during H1 2019 primarily related to lower inventory levels and accounts receivable at Itafos Conda;
- cash flows used by investing activities were down year-over-year primarily due to the acquisition of Itafos Conda and completion of the GBL Arrangement during Q1 2018 (see Note 4 in the Interim Financial Statements); and
- cash flows from (used by) financing activities were down year-over-year primarily due to the closing of the Facility during H1 2018 (see Note 12 in the Interim Financial Statements).

CONTRACTUAL OBLIGATIONS

As at June 30, 2019, the Company has not had any significant changes in contractual obligations since as at December 31, 2018, other than those that arise through the ordinary course of business.

The Company's provisions are representative of the environmental and asset retirement obligations as well as legal contingencies that exist as at June 30, 2019. As at June 30, 2019, Itafos Conda and Itafos Arraias had environmental and asset retirement obligations of $34,753 and $8,575, respectively. Liabilities for costs are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated (see Note 11 in the Interim Financial Statements).

8. BUSINESS RISKS AND UNCERTAINTIES

FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to the Company, information contained in this MD&A 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.

RISKS AND UNCERTAINTIES

Forward-looking information contained in this MD&A may be affected by, without limitation, risks and uncertainties relating to the following:

- 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.

For the three months ended June 30, 2019, there have been no changes to the risks and uncertainties that have materially affected, or are reasonably likely to materially affect, the Company's forward-looking information. The risks and uncertainties are described in greater detail in the Annual MD&A.

9. 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 3 in the Audited Financial Statements).

10. DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains controls and procedures including disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”) as defined in National Instrument 52-109. The Company’s DC&P are intended to provide reasonable assurance that information required to be disclosed by the Company in its filings is recorded, processed, summarized and reported accurately and timely. The Company’s ICFR is intended to provide reasonable assurance regarding the reliability of the Company’s financial reporting for external purposes in accordance with IFRS.

There are inherent limitations to the effectiveness of any system of DC&P and ICFR, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their objectives.

The Company has identified certain risks in its controls and procedures related to segregation of duties resulting from limited administrative staffing and manual processes resulting from the acquisition of Itafos Conda and completion of the GBL Arrangement in Q1 2018 (see Note 4 in the Interim Financial Statements). The Company is mitigating such risks through various measures including automating processes and increasing oversight.

For the three months ended June 30, 2019, the Chief Executive Officer and the Chief Financial Officer have evaluated the Company's controls and procedures and concluded that as of such date, the Company’s DC&P and ICFR are effective at a reasonable assurance level.

For the three months ended June 30, 2019, there have been no changes to the Company’s controls and procedures that have materially affected, or are reasonably likely to materially affect, the Company’s DC&P and ICFR.

11. OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Company’s related party transactions include key management compensation and debt from CLF, its principal shareholder (see Note 22 in the Interim 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.Eng.

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