ITAFOS

(formerly MBAC Fertilizer Corp.)

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three Months Ended
March 31, 2017 and 2016

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements (interim financial statements) of Itafos (the "Company") as at and for the three months ended March 31, 2017 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. This MD&A contains "forward-looking information" that is subject to certain risk factors including those set out in the cautionary note and elsewhere in this MD&A. All figures are in thousands of United States dollars ("$" or "USD"), except price per ton and earnings per share, or unless otherwise noted. References herein to C$ or CAD are to the Canadian dollar and R$ or BRL are to the Brazilian Real. This MD&A has been prepared as of May 18, 2017. A copy of this MD&A and additional information relating to the Company are available online under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Throughout this MD&A, reference to "the quarter", "the three-month period" or "Q1 2017" shall refer to the period from January 1, 2017 to March 31, 2017. References to "the comparative quarter" or "Q1 2016" shall refer to the period from January 1, 2016 to March 31, 2016. References to "the prior year" shall refer to the period from January 1, 2016 to December 31, 2016.

HIGHLIGHTS AND OVERALL PERFORMANCE

THREE MONTHS ENDED MARCH 31, 2017 AND SUBSEQUENT EVENTS

HIGHLIGHTS

During Q1 2017, the following events took place:

- On January 1, 2017, the Company recommenced development activities of the Itafos Arraias Single Super Phosphate ("SSP") Operation ("Itafos Arraias").
- On January 5, 2017, the Company's interest in Stonegate Agricom Ltd. ("STG") decreased to approximately 29.6% upon the closing of a non-brokered private placement by STG in which the Company did not participate.
- On January 6, 2017, the Company's shares commenced trading on the TSXV under the trading symbol "IFOS" following the change of the Company's name to "Itafos" in Q4 2016.
- On January 16, 2017, Marten Walters joined the Company as Vice President of Operations. Mr. Walters has more than 35 years of experience in the feasibility, design, project management, start-up and operation of fertilizer and chemical plants in Australia, Brazil, Peru, China, Morocco, Guinea-Bissau. Egypt, US and UK among other locations.
- On February 5, 2017, David Andrew Parsons resigned from the Board of the Company.
- On February 6, 2017, G. David Delaney joined the Board of the Company. Mr. Delaney most recently was the Executive Vice President and Chief Operating Officer of Potash Corporation of Saskatchewan, Inc. ("PotashCorp") (NYSE: POT, TSX: POT.TO) where he oversaw operations across the company's business segments. Prior to that, Mr. Delaney led the centralization of the global sales function, Mr. Delaney had oversight of all PotashCorp's Sales, Marketing, Market Research, Transportation and Distribution activities.
- On February 17, 2017, Cristiano Melcher stepped down as Chief Executive Officer. On that same date, the Company appointed Brian Zatarain as Chief Executive Officer and Rafael Rangel as Chief Financial Officer. Mr. Zatarain has over 19 years of hands-on and diverse corporate and business development, mergers and acquisitions, capital raising and investment management experience. Mr. Zatarain recently led the successful restructuring and recapitalization of the Company as its Chief Financial Officer. Mr. Rangel has over 35 years of finance, accounting and tax experience. Mr. Rangel had previously held the role of Chief Financial Officer, on an interim basis, of the Company from April 2016 to October 2016.
- On February 23, 2017, the Company entered into a promissory note with Zaff LLC ("Zaff") pursuant to which it received funding in the amount of $3,000 (the "Zaff Note").

- On March 9, 2017, the Company closed a brokered private placement of shares at a price of C$2.10 for gross proceeds of $34,054 (net of transaction costs of $1,214 for net proceeds $32,840). This amount includes the conversion of $3,000 through the issuance of 1,906,541 shares to settle the Zaff Note.
- In Q1 2017, the Company and certain other of its subsidiaries changed their functional currency from CAD to USD based on the primary currency of the Company's head office operations and financing activities being USD denominated.
- In Q1 2017, the Company's Brazilian subsidiaries changed their functional currency from BRL to USD based on the primary currency of the Company's Brazilian subsidiaries operations and financing activities being USD denominated.

Subsequent to Q1 2017:

On April 17, 2017, the Company's interest in STG increased to approximately 35.4%, upon the closing of a non-brokered private placement by STG in which the Company subscribed to all the shares for cash consideration of C$950.

Recommissioning of Itafos Arraias continues to progress with completion of recommissioning expected in Q2 2017. In this regard, testing of the primary plant processes of Itafos Arraias commenced during the first week of May 2017.

CORE BUSINESS

The Company is focused on becoming an integrated producer of phosphate based fertilizers and related products with near term production and an attractive portfolio of long-term strategic development projects. The Company is managed by an experienced and diverse team with extensive commercial, financial, legal and technical expertise. The Company owns Itafos Arraias, a 500,000 ton per year SSP operations, which consists of an integrated fertilizer production facility comprised of a phosphate mine, a mill, a beneficiation plant, a sulphuric acid plant, an SSP plant and a granulation plant with related infrastructure located in central Brazil. The Company's development portfolio includes two (2) additional projects in Brazil. One project is the Santana Project, a high-grade phosphate deposit located in close proximity to the largest fertilizer market of Mato Grosso State and animal feed market of Pará State. The other project is the Araxá Project, a high-grade rare earth elements, niobium and phosphate deposit, is located in close proximity to two operating mines, therefore, benefiting from existing local infrastructure. In addition, the Company owns an approximate 31.3% interest in GB Minerals Ltd. which owns the Farim Project, a high-grade phosphate deposit located in Guinea Bissau. The Company also owns an approximate 35.4% interest in STG, which owns the Paris Hills Project, a high-grade phosphate deposit located in Idaho, United States and the Mantaro Project, a high-grade phosphate deposit located in Peru.

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

OPERATIONS UPDATE

ITAFOS ARRAIAS SSP OPERATION

Itafos Arraias is located in the municipality of Arraias, in the state of Tocantins, Brazil. Itafos Arraias produces SSP, a type of phosphate based fertilizer widely used in Brazil. The target market for Itafos Arraias encompasses seven (7) states in the new agricultural frontier in central northern Brazil (West Bahia, North Goias, Tocantins, North East Matto Grosso, South Piaui, South Maranhao, and South East Para), also known as the Cerrado region. According to SIACESP/ANDA (the Association of Fertilizer and Agriculture in the state of Sao Paulo, Brazil), the total SSP market size in Brazil is estimated to be approximately five (5) million tons per year. Out of that five (5) million tons, approximately 1.2 million tons are estimated to be consumed in the Cerrado region. Once Itafos Arraias reaches full capacity, which is expected in Q4 2017, it would be the largest fully integrated SSP operation in the Cerrado region and would be among one of the largest fully integrated SSP operations in Brazil.

Upon the initiation of the restructuring of the Company in Canada and Brazil in the beginning of 2015, the Company placed Itafos Arraias in "care and maintenance" mode. In Q4 2016, the Company completed the restructuring in Canada and Brazil. Beginning January 1, 2017, the Company recommenced field commissioning activities at Itafos Arraias.

ITAFOS TECHNICAL REPORT

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

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

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

ITAFOS SANTANA PROJECT

The Company, through two (2) of its subsidiaries, is the beneficial holder of nine (9) exploration properties totalling 87,855 hectares. One (1) of those properties is a mining permit under application and one (1) is an exploration permit under application. These properties form the Itafos Santana Project.

The Company's technical report for the Itafos Santana Project is titled "Feasibility Study – Itafos Santana Phosphate Project Pará State, Brazil," dated and effective as of October 28, 2013, prepared by Bradley Ackroyd of AMSL, Carlos Guzmán of NCL and Robert Alexander of PegasusTSI, each a "qualified person" within the meaning of NI 43-101 (the "Itafos Santana Feasibility Study"). The Itafos Santana Feasibility Study was prepared in accordance with NI 43-101 and is filed under the Company's profile on SEDAR at www.sedar.com.

Given the early stage of the Itafos Santana Project, fluctuations in commodity prices and time elapsed since the Itafos Santana Feasibility Study was prepared, the realizable value of the project may differ significantly from the NPV calculated in the Itafos Santana Feasibility Study.

ITAFOS ARAXÁ PROJECT

The Company, through one (1) of its subsidiaries, is the beneficial holder of four (4) exploration properties totalling 214 hectares. These properties form the Itafos Araxá Project.

The Company announced the results of an initial preliminary economic assessment, based on the technical report titled "A Preliminary Economic Assessment in the form of an Independent Technical Report on MBAC Fertilizer Corp. – Itafos Araxá Project", effective October 1, 2012 as amended and restated January 25, 2013 (the "Amended Itafos Araxá PEA"). The Amended Itafos Araxá PEA was prepared by Bradley Ackroyd and Andrew N. Clay of Venmyn Rand (Pty) Limited, each of whom is a "qualified person" within the meaning of NI 43-101. Information below is based on assumptions, qualifications and procedures which are not fully described herein and reference should be made to the full text of the Amended Itafos Araxá PEA which is available for review under the Company's SEDAR profile. Given the early stage of the Itafos Araxá Project, fluctuations in commodity prices and time since the Itafos Araxá PEA was prepared, the realizable value of the project may differ significantly from the conclusions of the Itafos Araxá PEA.

FINANCIAL INFORMATION

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

STATEMENTS OF OPERATIONS

	Three months ended March 31, 2017	Three months ended March 31, 2016
Selling, general and administrative expenses	3,469	757
Operations care and maintenance expenses	–	5,258
Operating loss	(3,469)	(6,015)
Unrealized foreign exchange gain (loss)	(767)	10,246
Other income (expense)	(1,608)	2
Finance expense	(79)	(8,096)
Loss from investment in associates	(337)	–
Loss before income taxes	(6,260)	(3,863)
Current and Deferred income tax expense	309	251
Net loss	$ (6,569)	$ (4,114)
Other comprehensive income	75	856
Comprehensive loss	$ (6,494)	$ (3,258)
Basic and diluted net loss per share	$ (0.10)	$ (2.27)

For the three months ended March 31, 2017

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

SG&A expenses of $3,469 (Q1 2016 – $757) was primarily related to payroll, fees and professional services expenses of the Company with $196 related to expense of restricted share unit grants.

Operations care and maintenance expenses

Operational care and maintenance expenses of $Nil (Q1 2016 – $5,258) was primarily related to the continued capitalization of such operating expenses resulting from the current development activities of the Company and in particular those related to Itafos Arraias.

Unrealized foreign exchange gain (loss)

Unrealized foreign exchange loss of $767 (Q1 2016 – gain of $10,246) was primarily related to foreign exchange conversion on BRL denominated monetary balances. Starting Q1 2017 the functional currency was changed to USD consequently the foreign exchange gain (loss) was reduced.

Other expenses

Other expenses of $1,608 (Q1 2016 – income of $2) was primarily related to late payment penalties on unpaid payroll taxes in Brazil and changes in other provisions.

Loss from investment in associates

Loss from investment in associates of $337 (Q1 2016 – $Nil) was primarily related to equity pick-up losses from STG and GBL.

Finance expenses

Finance expenses of $79 (Q1 2016 – $8,096) was primarily related to interest expense on long-term debt related to Canadian and Brazilian debentures.

Current and Deferred income tax expenses

Deferred income tax expenses of $309 (Q1 2016 – $251) was primarily related to unrealizable withholding tax credits.

FINANCIAL CONDITION

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

BALANCE SHEET

		March 31, 2017		December 31, 2016
ASSETS				
Current				
Cash	$	27,018	$	2,875
Accounts receivable		269		169
Inventories		548		481
Other current assets		6,285		3,212
		34,120		6,737
Non-Current				
Investments in associates		17,551		17,813
Other long-term assets		18,051		17,320
Property, plant and equipment		227,834		222,564
Mineral properties		40,324		40,324
Total Assets	$	337,880	$	304,758
Current				
Accounts payable and accrued liabilities	$	25,296	$	19,345
Provisions		705		975
Current Debentures and Debt		416		340
Other current liabilities		2,432		2,387
		28,849		23,047
Non-Current				
Other long-term liabilities		8,003		7,261
Provisions		690		586
Long-term portion of Debentures and Debt		2,496		2,479
Other liabilities		1,886		1,775
Total Liabilities		41,924		35,148
Shareholders' Equity		295,956		269,610
Total Liabilities and Shareholders' Equity	$	337,880	$	304,758

Assets

Total assets were $337,880 as at March 31, 2017 (December 31, 2016 – $304,758).

The change in significant assets is described below:

Cash

Cash as at March 31, 2017 was $27,018 (December 31, 2016 – $2,875). During the quarter, the Company generated $32,840 from financing activities due to net proceeds from the issuance of shares and debt financing.

Other long-term assets

Other long-term assets are primarily comprised of tax credits. Tax credits consist of Brazilian state and federal taxes accumulated primarily on purchases of property, plant and equipment. These tax credits can be applied to offset (or potentially reimburse) certain value added taxes and other taxes payable in future periods. As at March 31, 2017, the Company had tax credits of $18,378 (December 31, 2016 – $17,656), of which $393 (December 31, 2016 – $377) were included in "Other current assets".

Property, plant and equipment

During the quarter, property, plant and equipment increased by $5,270 (December 31, 2016 – $1,033), which was primarily related to recommissioning of Itafos Arraias.

Accumulated depreciation and depletion

Depreciation and depletion of property, plant and equipment and mineral properties for the quarter was $Nil (Q1 2016 – $4,012). Property, plant and equipment is not subject to depreciation as Itafos Arraias was under development from January 1, 2017 through March 31, 2017.

Liabilities

Total liabilities as at March 31, 2017 were comprised of current liabilities of $28,849 (December 31, 2016 – $23,047) and long-term liabilities of $13,075 (December 31, 2016 – $12,101). The movement in significant liabilities is described in the following sections.

Accounts payable and accrued liabilities

Total accounts payable and accrued liabilities were primarily comprised of trade payables of $2,092 (December 31, 2016 – $375), payroll and related tax liabilities of $8,171 (December 31, 2016 – $7,365), taxes payable of $6,711 (December 31, 2016 – $6,768), other accrued liabilities of $8,322 (December 31, 2016 – $4,837). Overall, primarily due to recommissioning of Itafos Arraias, accounts payable and accrued liabilities have increased during the quarter ended by $5,802.

Shareholders' Equity

	March 31, 2017	December 31, 2016
Share capital	$ 407,348	$ 374,508
Contributed surplus	246,626	246,626
Cumulative translation adjustment reserve	7,246	7,171
Deficit	(365,264)	(358,695)
	$ 295,956	$ 269,610

CASH FLOW INFORMATION

	Three months ended March 31, 2017	March 31, 2016
Cash flows from operating activities	$ (2,681)	$ (542)
Cash flows used in investing activities	(5,919)	–
Cash flows from financing activities	32,840	575
Foreign currency effect on cash	(97)	(23)
Increase in cash	$ 24,143	$ 10

For the three months ended March 31, 2017

Operating activities

Cash flows used in operating activities amounted to $2,681 for Q1 2017 (Q1 2016 – used $542) primarily due to higher SG&A expense.

Investing activities

Cash flow used in investing activities amounted to $5,919 for Q1 2017 (Q1 2016 – $Nil) primarily due to recommissioning of Itafos Arraias.

Financing activities

During the quarter, the Company generated $32,840 (Q1 2016 – generated $575) from financing activities due to net proceeds from the issuance of shares and debt financing.

LIQUIDITY AND CAPITAL RESOURCES

Cash as at March 31, 2017 was $27,018 (December 31, 2016 – $2,875). On February 23, 2017, the Company received funding from Zaff in the amount of $3,000. The Company documented that transaction by means of a promissory note to Zaff (the "Zaff Note").

On March 9, 2017, the Company completed a private placement of shares (the "Offering") at a price of C$2.10 for gross proceeds of approximately $34,054 (net of transaction costs of $1,214 for net proceeds $32,840). This amount includes the conversion of $3,000 through the issuance of 1,906,541 shares to settle the Zaff Note.

The net proceeds of the Offering are being used to fund the recommissioning of Itafos Arraias, for working capital and general corporate and strategic purposes.

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

Zaff, which is an insider and a related party of the Company, subscribed for a total of 8,388,781 shares under the Offering and received 1,906,541 shares at a price of CAD$2.10. Those shares settled an outstanding cash advance of US$3,000 recently made to the Company on February 23, 2017. Zaff now beneficially owns, or exercises control or direction over, 65,868,991 shares (or approximately 83.04% of the issued and outstanding shares on an undiluted basis).

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

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

CONTRACTUAL OBLIGATIONS

The table below provides a breakdown of the Company's contractual obligations as at March 31, 2017:

	Total	Less than 1 year	1 -3 years	4 -5 years	Thereafter
Accounts payable and accrued liabilities	$ $25,296	$ 25,296	$ –	$ –	$ –
Provisions	1,395	705	–	–	690
Canadian debentures	2,912	416	550	550	1,396
Brazilian debentures and warrants	4,318	2,432	412	412	1,062
	$ 33,921	$ 28,849	$ 962	$ 962	$ 3,148

SUMMARY OF QUARTERLY RESULTS

	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net loss	$ (6,569)	$ (40,413)	$ (46,743)	$ (9,398)
Basic and diluted loss per share [(1)]	$ (0.10)	$ (0.69)	$ (25.74)	$ (5.17)
Total assets	$ 337,880	$ 304,758	$ 345,613	$ 371,121

	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net loss	$ (4,114)	$ (15,431)	$ (46,218)	$ (12,764)
Basic and diluted loss per share [(1)]	$ (2.27)	$ (8.50)	$ (25.45)	$ (7.03)
Total assets	$ 339,964	$ 308,429	$ 314,429	$ 401,105

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

CAPITALIZATION

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

	Expiry date	Exercise price	Securities outstanding	Shares on exercise
Shares	–	–	79,318,507	79,318,507
Canadian convertible debentures [(2)]	October 27, 2026	C$25.00	147,648	147,648
Restricted share units	–	–	1,565,730	1,565,730

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

OUTLOOK AND STRATEGY

The Company is focused on becoming an integrated producer of phosphate fertilizer and related products. As previously mentioned, the Company's primary focus in Brazil remains the recommissioning of Itafos Arraias.

Based on the favorable outcome of the legal restructuring in Brazil and funding received by the Company to date, the Company intends to resume operations at Itafos Arraias in Q2 2017.

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

- Putting the balance sheet on solid footing by ensuring a healthy working capital position, allowing the Company to achieve its operational goals;
- Optimizing the ramp-up by strengthening the Company with people with extensive experience, knowledge and background in operations and maintenance (see Highlights section above for recent changes at the Board and management levels);
- Achieve operational excellence by setting up discipline to capture value throughout the whole organization in a structured and focused manner;
- Position the Company as a "Supplier of Choice" for fertilizer inputs in its target region by leveraging competitive advantages with logistics, client proximity and the quality of our product;
- Future growth strategy will be undertaken by pursuing its attractive greenfield and brownfield project pipeline. The pipeline includes the projects that the Company currently owns or has significant interest. In addition, the Company is constantly evaluating other avenues for growth such as acquisition of assets that may meet its strategic directive.

PHOSPHATE FERTILIZER MARKETS

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

Crop financing, known as 'Plano Agricola e Pecuario', will amount R$185.5 billion for the period 2016/17, slightly down from previous year's R$187.7 billion, albeit flat in dollar terms as national currency seems to have stabilized after an intense period of volatility last year. Although negative outlook and macroeconomic have stabilized, Brazil still appears to be on a long recovery path. Nonetheless, the importance of the agricultural sector for the Brazilian economy remains intact. The 'Plano Agricola e Pecuario' initiative makes credit lines available for Brazilian farmers to invest in food production and supplies. The money can be used for the purchases of fertilizers, equipment, and the improvement of infrastructure in rural properties. For this year, the most anticipated change within the plan was the interest rates of these subsided loans. As it stands, interest rates for loans related to support costs of production are set at 8.5% annually for medium-sized producers. For large producers, the rate was set at 9.5% per year. Loans for infrastructure development was set at 8.5%. Despite the increase compared to last year's plan, the rates are still highly subsidized for Brazilian farmers since Brazil Central Bank's lending rate is currently at 11.25%. These funds are provided by Governmental lending institutions to assist in the funding, investment, and marketing of the agricultural sector. According to Agriculture Minister Abreu in the next ten years, Brazil will increase crop production by 50 million tons and meat production by 8 million tons "without any pressure on resources natural such as land and water."

According to the National Association of Fertilizer Producers – Brazil (ANDA), total consumption of fertilizer in Brazil for 2016 was 34.1 million tons. This represents an increase of 12.8% over the 30.2 million tons consumed in 2015. During Q1 2017, ANDA forecasted that fertilizer consumption for 2017 would grow to 34.9 million tons. Toward the end of 2016, the recovery in soybean prices, in USD terms, helped offset some of the strengthening of the BRL. This provided a positive signal for farmers on recovery of farming profits. However, in Q1 2017, the decline of soybean prices created a more cautious outlook for farmers.

The Company's Itafos Arraias project's initial product is SSP (an excellent source of three plant nutrients – phosphorous, sulphur and calcium). The presence of these nutrients in SSP provides great benefit to the development of crops in regions where these nutrients are deficient, such as in Brazil's Cerrado region where the soils are very old. It is also the preferred fertilizer for development of new cropping areas such as Brazil's new agricultural frontier in central and northern Brazil. According to ANDA, during 2016, Brazil consumption for SSP has remained steady at over 5.1 million tons. There has been an increase in imports of SSP, which is now closer to 0.7 million tons. Prices for phosphate fertilizers were under pressure in 2016. Although there is a premium embedded in the SSP prices related to the calcium and gypsum content, the SSP prices do follow prices for MAP in Brazil as farmers will look at equivalent cost of delivering the same nutrients to their farms. In first part of Q1 2017, there was an increase in global phosphate prices due to a combination of factors. The main factors were an increase in input prices due to supply disruption for ammonia and signals that Chinese producers would cut back exports. The momentum appeared positive, however, as the current quarter ends, the outlook for 2017 phosphate prices has toned down as China does not seem to intend to curtail production as previous anticipated. Further, the industry has new additional capacity from Saudi Arabia and Morocco. On a positive note, raw materials prices, mainly ammonia and sulphur, are expected to provide some support to input pricing. Looking at Brazil specifically, demand is expected to grow for a second year in a row due to the better economic conditions in the country. One key indicator to follow will be the exchange relationship between final product and a ton of fertilizer. That metric that is commonly used in the industry to find good purchase entry point, from a farmers' standpoint, for fertilizer. That metric has increased favorably for the Company toward the end of 2016.

FOREIGN EXCHANGE

In Q1 2017, the Brazilian subsidiaries changed their functional currency to USD based on Itafos Arraias re-commencing development activities and based on the financing of the entity. The parent entity and other subsidiaries have changed from CAD to USD based on the location of the head office operations and financing of the entity. The CAD to USD exchange no longer has a significant impact on the Company, and as such, this metric will no longer be presented in the table below.

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

	Three months ended	
	March 31, 2017	March 31, 2016
BRL strengthening against USD	2.81%	11.6%
Unrealized foreign exchange gain (loss)	$ (767)	$ 10,246
Cumulative translation gain	$ 190	$ 856

The total foreign exchange loss of $767 for the quarter ended March 31, 2017 (Q1 2016 – gain of $10,246) was primarily comprised of unrealized foreign exchange loss resulting from translating monetary items denominated in BRL.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2017, the Company did not have any off-balance sheet arrangements.

INCOME TAXES

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates are deemed critical if the Company's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods

Please refer to Note 2 to the interim financial statements for further details.

CONTINGENCIES

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

RISKS AND UNCERTAINTIES

There were no significant changes to the Company's exposure to risks and other uncertainties as described in the "Management's Discussion and Analysis" for the year ended December 31, 2016.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its filings under Canadian securities legislation is recorded, processed, summarized and reported in a timely manner. The system of disclosure controls and procedures includes, among other things, the Company's Code of Business Conduct and Ethics policies, the review and approval procedures of the Disclosure Committee and continuous review and monitoring procedures by senior management.

Both the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated the design of the Company's disclosure controls and procedures as at March 31, 2017, pursuant to the requirements of National Instrument 52-109. There has been no change in the Company's disclosure controls and procedures during the period from January 1, 2017 to March 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the President and CEO and the CFO, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

QUALIFIED PERSON

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

- the Company's vision and goal to become an integrated producer of phosphate based fertilizers and related products;
- the Company's current estimate of mine life stipulated in the Itafos Arraias Technical Report and its potential increase;
- the Company's expectations related to resources and reserves stipulated in the Itafos Arraias Technical Report;
- the Company's ability and evaluation efforts towards increasing the mine life at Itafos Arraias and respective expansion strategy;
- the Company's ability to carry out any action plan;
- the Company's ability to get into production from development phase;
- the Company's expectations around the growth of Brazilian and global fertilizer markets in the foreseeable future and changes in fertilizer and phosphate prices;
- the Company's expectations that the Itafos Santana Project, together with Itafos Arraias, have the potential to make the Company one of the largest SSP producers in Northern Brazil and the second largest SSP producer in Brazil;

- the Company's expectation that consumption of SSP in the Company's target area for Itafos Arraias will be sufficient to absorb competitively the entirety of the Company's output and the Company's expectations of higher average selling price; and
- the Company's expectation about the review of the strategic initiatives regarding the Itafos Santana Project and the Itafos Araxá Project.

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

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

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