

## ITAFOS REPORTS Q3 2019 FINANCIAL RESULTS AND OPERATIONAL HIGHLIGHTS

**TORONTO, ON – November 29, 2019** – Itafos (TSX VENTURE: IFOS) (the “**Company**”) reported today its Q3 2019 financial results and operational highlights. The Financial Statements and Management’s Discussion and Analysis for the quarter ended September 30, 2019 are available under the Company’s profile at [www.sedar.com](http://www.sedar.com) and under the Investors – Financial Statements page of the Company’s website, [www.itafos.com](http://www.itafos.com). All dollar values referenced in this news release are unaudited amounts in thousands of US Dollars except as otherwise noted.

### Overall Highlights

For the three months ended September 30, 2019, the Company’s overall highlights were as follows:

- experienced significant and continued downward pressure on fertilizer prices in key markets including North America and Brazil;
- continued strong operational and environmental, health and safety performance at Itafos Conda;
- launched new semi-specialty fertilizer product MAP+ at Itafos Conda;
- implemented plan at Itafos Arraias to optimize finished fertilizer production and launched a multi-product portfolio of higher grade SSP and SSP+ and premium PK compounds (the “**Repurpose Plan**”);
- advanced development of Itafos Farim, with focus on permitting, negotiating offtake agreements, finalizing works contractors and procurement packages and securing project financing;
- completed \$15,000 capital raise in the form of convertible unsecured promissory notes issued to CLF (the “**CLF Promissory Note**”);
- executed the fourth amendment (the “**Fourth Amendment**”) to the secured term credit facility (the “**Facility**”) to sculpt financial covenants and provide additional flexibility to raise working capital financings at Itafos Conda and Itafos Arraias;
- launched aggressive corporate wide cost savings initiative; and
- advanced capital raising initiatives.

Subsequent to the three months ended September 30, 2019, the Company’s overall highlights were as follows:

- announced the results of the Itafos Conda Technical Report concluding increased resources from existing mines and defining Husky 1/North Dry Ridge (“**H1/NDR**”) as the Company’s path forward for mine development;
- closed a \$20,000 secured working capital facility (the “**Revolving Facility**”) at Itafos Conda and expanded commercial relationship with Gavilon Fertilizer, LLC (“**Gavilon**”), a subsidiary of The Gavilon Group, LLC;
- announced the decision to idle Itafos Arraias and suspend the Repurpose Plan at Itafos Arraias as part of a disciplined approach to capital allocation considering the continued downward pressure on global fertilizer prices; and
- announced the resignation of Brent de Jong as Chairman and member of the Company’s Board of Directors and appointment of Anthony Cina to serve as Chairman on an interim basis.

## Financial Highlights

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

<i>(unaudited in thousands of US Dollars except for per share amounts)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenues, net	\$ 81,749	\$ 76,282	\$ 257,999	\$ 201,585
Operating income (loss)	\$ (14,343)	\$ (2,547)	\$ (34,432)	\$ 8,699
Net income (loss)	\$ (20,778)	\$ (14,390)	\$ (55,706)	\$ 41,670
Adjusted EBITDA	\$ 975	\$ 6,279	\$ 505	\$ 27,811
Maintenance capex	\$ 2,109	\$ 9,319	\$ 19,156	\$ 31,109
Growth capex	\$ 9,327	\$ 4,878	\$ 15,507	\$ 19,111
Basic loss per share	\$ (0.15)	\$ (0.10)	\$ (0.40)	\$ 0.30
Fully diluted income (loss) per share	\$ (0.15)	\$ (0.10)	\$ (0.40)	\$ 0.30

For the three and nine months ended September 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 as well as higher realized SPA prices, which were partially offset by lower realized MAP prices, at Itafos Conda and revenue contributions from Itafos Arraias during 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;
- adjusted EBITDA was down year-over-year primarily due to higher input costs at Itafos Conda and constrained production due to the implementation of the Repurpose Plan at Itafos Arraias during 2019, which had not achieved commercial production during H1 2018;
- maintenance capex was down year-over-year primarily due to a partial planned plant turnaround at Itafos Conda during 2019 compared to a full planned plant turnaround at Itafos Conda during 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 development activities at Itafos Farim, gyp stack expansion and mine life extension activities at Itafos Conda during 2019.

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

<i>(unaudited in thousands of US Dollars)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Total assets	\$ 568,630	\$ 576,419
Total liabilities	\$ 352,951	\$ 304,640
Net debt	\$ 171,919	\$ 152,088
Total equity	\$ 215,679	\$ 271,779

As at September 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 2019,

which were partially offset by an increase in property, plant and equipment related to the application of IFRS 16 during 2019 and growth capex during 2019;

- 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, increases in long-term provisions due to additions to asset retirement obligations at Itafos Conda and higher trade payables during 2019;
- net debt was up period-over-period primarily due to the CLF Promissory Note, paid-in-kind interest expense at corporate and additional equipment financing at Itafos Conda during 2019; 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 2019.

### **Itafos Conda Highlights**

For the three and nine months ended September 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 including achievement of a notable milestone by exceeding one year without a reportable injury prior to one recordable injury occurring during Q3 2019 and continued avoidance of any chemical releases during 2019. 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 elevated inventories to near historic highs, putting significant downward pressure on fertilizer prices in the short-term. SPA production and sales were constrained due to increased amounts of unfavorable ore elements, shortage of finished product rail cars and lack of sulfuric acid availability, which were impacted by weather and logistical challenges and correspondingly resulted in a shift to incremental MAP production. The increase in unfavorable ore elements, most notably magnesium oxide, resulted in evaporation capacity limitations, which negatively impacted SPA production. To mitigate the potential impact of unfavorable ore elements affecting future periods, Itafos Conda is taking steps to further optimize ore blending and evaluating selective beneficiation processes.

Itafos Conda’s margins were compressed year-over-year primarily due to higher input costs, most notably purchased sulfuric acid, ore and natural gas. The higher input costs were related to sulfuric acid contract repricing in 2019, higher ore feed costs driven by reduced ore volumes due to mine sequencing and a spike in natural gas price driven by a supply disruption due to an off-site pipeline explosion, which negatively impacted the Sumas index in late 2018. To mitigate the potential impact of input costs affecting future periods, Itafos Conda made operational improvements to improve mining efficiencies during Q3 2019 and entered into a two-year fixed price natural gas supply agreement during Q4 2019.

During Q3 2019, Itafos Conda completed a pilot production run of a new semi-specialty fertilizer product, MAP+. The Company expects that production and sales of MAP+ will improve Itafos Conda’s margin profile by reducing exposure to diammonium phosphate (“**DAP**”) New Orleans (“**NOLA**”) price fluctuations, requiring less P<sub>2</sub>O<sub>5</sub> per tonne and limiting the commercial impact of lower near-term SPA production. Also during Q3 2019, Itafos Conda completed a significant amount of exploratory drilling work in support of the Itafos Conda Technical Report and environmental baselines in support of the permitting process for H1/NDR.

Also during 2019, Itafos Conda completed a partial planned plant turnaround compared to a full planned plant turnaround during 2018. For the three and nine months ended September 30, 2018, Itafos Conda’s business highlights consider the period from the date of acquisition on January 12, 2018 through September 30, 2018.

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

<i>(unaudited in thousands of US Dollars except for volumes, prices and costs)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Production volumes (t)</b>				
MAP	94,323	96,979	285,326	270,663
MAP+	9,028	—	9,028	—
SPA	36,523	42,529	109,054	110,079
MGA	467	281	1,078	281
APP	4,245	5,844	30,779	17,782
<b>Sales volumes (t)</b>				
MAP	108,243	64,335	307,006	226,199
MAP+	—	—	—	—
SPA	28,636	28,793	96,275	87,290
MGA	397	281	1,078	281
APP	4,881	5,987	26,229	17,925
<b>Realized price (\$/t)</b>				
MAP	\$ 360	\$ 448	\$ 396	\$ 425
MAP+	\$ —	\$ —	\$ —	\$ —
SPA	\$ 938	\$ 927	\$ 982	\$ 912
MGA	\$ 935	\$ 936	\$ 1,005	\$ 936
APP	\$ 463	\$ 429	\$ 471	\$ 431
<b>Revenues (\$)</b>				
MAP	\$ 38,948	\$ 28,809	\$ 121,501	\$ 96,051
MAP+	\$ —	\$ —	\$ —	\$ —
SPA, net	\$ 26,869	\$ 26,685	\$ 94,584	\$ 79,588
MGA, net	\$ 371	\$ 263	\$ 1,083	\$ 263
APP, net	\$ 2,260	\$ 2,570	\$ 12,342	\$ 7,728
<b>Revenues per tonne P<sub>2</sub>O<sub>5</sub></b>				
	\$ 787	\$ 903	\$ 863	\$ 869
<b>Cash costs per tonne P<sub>2</sub>O<sub>5</sub></b>				
	\$ 672	\$ 691	\$ 732	\$ 659
<b>Adjusted EBITDA</b>				
	\$ 8,532	\$ 13,592	\$ 30,357	\$ 43,855

For the three and nine months ended September 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 and shortened 2018 due to acquisition timing and longer plant turnaround;
- MAP sales volumes were up year-over-year despite delayed spring demand due to higher MAP sales under the exclusive long-term MAP offtake agreement with Nutrien;
- MAP realized prices were down year-over-year primarily due to pressure on DAP NOLA to which the exclusive long-term MAP offtake agreement with Nutrien is linked;
- MAP+ production volumes were up year-over-year due to pilot production run during Q3 2019;
- SPA production volumes were flat year-over-year primarily due to production constraints during 2019 and shortened 2018 due to acquisition timing and longer plant turnaround;
- SPA sales volumes were up year-over-year primarily due to greater demand for liquid products during 2019;
- SPA realized prices were up year-over-year primarily due to favorable SPA market conditions relative to dry fertilizers;
- revenues per tonne P<sub>2</sub>O<sub>5</sub> were down year-over-year primarily due to lower MAP realized prices during 2019, which were partially offset by higher SPA realized prices during 2019; and
- cash costs per tonne P<sub>2</sub>O<sub>5</sub> were up year-over-year primarily due to higher input costs in 2019.

### **Itafos Arraias Highlights**

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. During Q3 2018, 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.

During 2019, the Company implemented the Repurpose Plan at Itafos Arraias in order to optimize Itafos Arraias' finished fertilizer production with a multi-product portfolio of higher grade SSP, SSP+ and premium PK compounds. The Repurpose Plan at Itafos Arraias aimed to enhance Itafos Arraias' competitive positioning and profitability while reducing its operational and environmental risk profile. To enable the Repurpose Plan, Itafos Arraias has been purchasing, receiving and processing higher grade phosphate rock from third parties during 2019, including entering into a multi-year phosphate rock supply agreement to purchase higher grade phosphate rock from the OCP Group. In addition, the Company has advanced other aspects of the Repurpose Plan, including production and sales of higher grade SSP and SSP+ and premium PK compounds, implementation of an efficient logistics process related to third party phosphate rock, reorganization of the site and commissioning of equipment. Also in connection with advancing implementation of the Repurpose Plan, during Q2 2019, the Company idled Itafos Arraias' existing mines, tailings dam and the beneficiation plant.

In November 2019, the Company announced its decision to idle Itafos Arraias and to suspend the previously announced Repurpose Plan at Itafos Arraias as part of a disciplined approach to capital allocation considering the continued downward pressure on global fertilizer prices. Notwithstanding

the idling of Itafos Arraias, Itafos Arraias has and will continue to maintain all licenses and permits in good standing and compliance with existing regulations.

For the three and nine months ended September 30, 2019, Itafos Arraias launched its new line of premium products following the completion of initial production and sales of higher grade SSP and SSP+ and premium PK compounds. Brazilian buyers continued to curtail purchases of locally produced SSP in favor of imported MAP product, taking advantage of global MAP oversupply. Despite lower MAP CFR Brazil prices during 2019, Itafos Arraias' realized prices of SSP and SSP+ remained strong, largely driven by the shift in selling of higher grade SSP and a strong premium for sulfur-based products.

For the three and nine months ended September 30, 2018, Itafos Arraias' business highlights consider that Itafos Arraias had not achieved commercial production during H1 2018.

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

<i>(unaudited in thousands of US Dollars except for volumes, prices and costs)</i>	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	<b>2019</b>	2018	<b>2019</b>	2018
<b>Production volumes (t)</b>				
SSP	34,502	50,135	61,013	50,135
SSP+	17,431	15,756	58,077	15,756
PK compounds	3,229	—	3,229	—
Excess sulfuric acid	16,248	24,142	35,642	24,142
<b>Sales volumes (t)</b>				
SSP	29,039	89,695	51,089	89,695
SSP+	21,064	—	54,277	—
PK compounds	119	—	119	—
Excess sulfuric acid	16,248	24,142	35,642	24,142
<b>Realized price (\$/t)</b>				
SSP	\$ 193	\$ 161	\$ 197	\$ 161
SSP+	\$ 288	\$ —	\$ 263	\$ —
PK compounds	\$ 412	\$ —	\$ 412	\$ —
Excess sulfuric acid	\$ 98	\$ 144	\$ 116	\$ 144
<b>Revenues (\$)</b>				
SSP, net	\$ 5,591	\$ 14,484	\$ 10,055	\$ 14,484
SSP+, net	\$ 6,073	\$ —	\$ 14,249	\$ —
PK compounds	\$ 49	\$ —	\$ 49	\$ —
Excess sulfuric acid, net	\$ 1,588	\$ 3,471	\$ 4,136	\$ 3,471
<b>Revenues per tonne P<sub>2</sub>O<sub>5</sub></b>	\$ 1,485	\$ 1,178	\$ 1,498	\$ 1,178
<b>Cash costs per tonne P<sub>2</sub>O<sub>5</sub></b>	\$ 1,594	\$ 1,370	\$ 2,021	\$ 1,181
<b>Adjusted EBITDA</b>	\$ (3,000)	\$ (5,277)	\$ (17,738)	\$ (9,346)

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

- SSP and SSP+ production and sales volumes were down year-over-year primarily due to the implementation of the Efficiency Improvement Plan and subsequent implementation of the

- Repurpose Plan during 2019;
- SSP and SSP+ realized prices were up year-over-year primarily due to the shift in selling of higher grade products during 2019;
- excess sulfuric acid production and sales volumes were down year-over-year primarily due to a planned sulfuric acid plant turnaround during Q1 2019 and an oversupplied market that limited sales opportunities during 2019;
- excess sulfuric acid realized prices were down year-over-year due to an oversupplied market during 2019;
- revenues per tonne P<sub>2</sub>O<sub>5</sub> were up year-over-year primarily due to the shift in selling of higher grade products during 2019; and
- cash costs per tonne P<sub>2</sub>O<sub>5</sub> were up year-over-year primarily due to lower than expected production and sales volumes as well as higher input costs due to the shift in selling of higher grade products during 2019.

## Outlook

The Company is executing its strategy by focusing on:

- extending Itafos Conda's current mine life through advancing permitting and development of H1/NDR;
- optimizing Itafos Conda's EBITDA generation potential;
- idling Itafos Arraias and evaluating strategic alternatives for the business;
- finalizing permitting, negotiating offtake agreements, finalizing works contractors and procurement packages and securing project financing for Itafos Farim;
- maintaining the integrity of the concessions and evaluating strategic alternatives for Itafos Paris Hills, Itafos Santana, Itafos Mantaro and Itafos Araxá;
- implementing aggressive corporate wide cost saving initiative; and
- advancing capital raising initiatives.

## About Itafos

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**”), MAP with micronutrients (“**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 Farim – a high-grade phosphate mine project located in Farim, Guinea-Bissau;
- Itafos Paris Hills – a high-grade phosphate mine project located in Idaho, US;
- 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.

For more information, or to join the Company's mailing list to receive notification of future news releases, please visit the Company's website, [www.itafos.com](http://www.itafos.com).

### Non-IFRS Financial Measures

The Company considers both IFRS and certain non-IFRS measures to assess performance. Non-IFRS measures are a numerical measure of a company's performance, that either include or exclude amounts that are not normally included or excluded from the most directly comparable IFRS measures. In evaluating non-IFRS measures, investors, analysts, lenders and others should consider that non-IFRS measures do not have any standardized meaning under IFRS and that the methodology applied by the Company in calculating such non-IFRS measures may differ among companies and analysts. The Company believes the non-IFRS measures provide useful supplemental information to investors, analysts, lenders and others in order to evaluate the Company's operational and financial performance. These non-IFRS financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with IFRS.

The Company defines:

- **"EBITDA"** as earnings before interest, taxes, depreciation, depletion and amortization;
- **"Adjusted EBITDA"** as EBITDA adjusted for non-cash, extraordinary, non-recurring and other items unrelated to the Company's core operating activities;
- **"Total capex"** as 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;
- **"Maintenance capex"** as that portion of total capex relating to maintenance of ongoing operations of the Company;
- **"Growth capex"** as that portion of total capex relating to development of growth opportunities of the Company;
- **"Net debt"** as debt and debentures less cash and cash equivalents and short-term investments;
- **"Realized price"** as revenues, net divided by sales volumes;
- **"Revenues per tonne P<sub>2</sub>O<sub>5</sub>"** as revenues, net divided by sales volumes presented on P<sub>2</sub>O<sub>5</sub> basis;
- **"Cash costs"** as cost of goods sold less net realizable value adjustments, depreciation, depletion and amortization; and
- **"Cash cost per tonne P<sub>2</sub>O<sub>5</sub>"** as cash costs divided by sales volumes presented on P<sub>2</sub>O<sub>5</sub> basis.

### Forward Looking Information

Certain information contained in this news release constitutes forward looking information. All information other than information of historical fact is forward looking information. The use of any of the words "intend", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "should", "would", "believe", "predict" and "potential" and similar expressions are intended to identify forward looking information. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking information. No assurance can be given that this



information will prove to be correct and such forward looking information included in this news release should not be unduly relied upon.

Forward looking information is subject to a number of risks and other factors that could cause actual results and events to vary materially from that anticipated by such forward looking information. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Factors that may cause actual results to differ materially from expected results described in forward-looking statements include, but are not limited to, those risk factors set out in the Company's Management Discussion and Analysis and other disclosure documents available under the Company's profile at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. The forward-looking information included in this news release is expressly qualified by this cautionary statement and is made as of the date of this news release. Itafos undertakes no obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

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