Itafos Reports Q2 2020 Financial Results and Operational Highlights

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TORONTO, Aug. 26, 2020 - Itafos (TSX-V: IFOS) (the “Company”) reported today its Q2 2020 financial results and operational highlights. The Company’s financial statements and management’s discussion and analysis for the three and six months ended June 30, 2020 are available under the Company’s profile at www.sedar.com and on the Company’s website at www.Itafos.com. All dollar values are in thousands of US Dollars except as otherwise noted.

“We delivered strong financial and operational performance during Q2 2020, demonstrated by our adjusted EBITDA for the quarter improving $14 million year-over-year. Our focus on improving margins and corporate-wide cost savings initiatives, in addition to a disciplined approach to capital allocation and efforts to mitigate sulfuric acid supply disruptions all contributed to these results,” said Dr. Mhamed Ibnabdeljalil, CEO of Itafos. “Looking forward, we are maintaining our original guidance for full year 2020 adjusted EBITDA and we are continuing to make progress on extending Itafos Conda’s mine life, optimizing Itafos Conda’s EBITDA generation capability and advancing our newly launched stage-gate restart program for Itafos Arraias.”

Overall Highlights

For the three months ended June 30, 2020, the Company’s financial highlights were as follows:

- generated adjusted EBITDA of $11,324 [Q2 2019: $(2,347)], representing a 582% increase year-over-year primarily due improved margins at Itafos Conda, cost savings following the idling of Itafos Arraias, and implementation of aggressive corporate wide cost savings and deferral of spending initiatives;
- recorded a write-off of mineral properties of $8,449 at Itafos Paris Hills following the Company’s decision to wind down the concession following completion of the technical report titled “NI 43-101 Technical Report on the Itafos Conda and Itafos Paris Hills Mineral Projects, Idaho, USA” and dated as of July 1, 2019 (the “Itafos Conda Technical Report”), which defined Husky 1/North Dry Ridge (“H1/NDR”) as the Company’s path forward for mine life extension at Itafos Conda;
- incurred net loss of $(20,814) [Q2 2019: $(21,597)], representing a 4% decrease year-over-year primarily due to the same factors that resulted in improved adjusted EBITDA, which were offset by a write-off of mineral properties at Itafos Paris Hills;
- drew an additional $5,300 under the Company’s unsecured and subordinated promissory note (the “CLF Promissory Note”) with an additional $10,700 remaining available to be drawn by the Company at its sole discretion through December 31, 2020 (the “Availability Period”); and
- continued to advance aggressive corporate wide cost savings and deferral of spending initiatives, including corporate streamlining initiatives resulting in dissolution of two unutilized legacy entities.

For the three months ended June 30, 2020, the Company’s business highlights were as follows:

- continued corporate-wide risk mitigation measures to address potential impacts to employees, contractors and operations as a result of the novel strain of coronavirus (“COVID-19”) resulting in no material impact to operations;
- demonstrated sustained environmental, health and safety excellence at Itafos Conda and Itafos Arraias, including no environmental releases and one recordable injury;
- produced total production volumes at Itafos Conda of 134,391t [Q2 2019: 150,934t], representing an 11% decrease year-over-year primarily due to a disruption in sulfuric acid from its primary supplier resulting in lower APP and MAP production;
- generated adjusted EBITDA at Itafos Conda of $14,458 [Q2 2019: $11,283], representing a 28% increase year-over-year primarily due to improved margins as a result of lower input costs;

- realized net income at Itafos Conda of $3,428 [Q2 2019: $560], representing a 512% increase year-over-year primarily due to the same factors that resulted in improved adjusted EBITDA;
- advanced activities related to extending Itafos Conda’s mine life through permitting and development of H1/NDR, including preparing and submitting an updated Mine and Reclamation Plan to the Bureau of Land Management (the “BLM”) as part of the National Environmental Policy Act (“NEPA”) permitting process;
- advanced activities related to optimizing Itafos Conda’s EBITDA generation capability, including advancing development of MAP enhanced with zinc as an additional product in the new line of micronutrient enhanced products and evaluating proposals received for pilot testing and a front-end engineering and design (“FEED”) study related to anhydrous hydrogen fluoride and precipitated silica (“AHF/PS”) by-product recovery and a feasibility study related to on-site ammonia production;
- maintained the idling of Itafos Arraias following best practices and monetized remaining inventory and raw materials to partially offset costs;
- launched a stage-gate restart program for Itafos Arraias, including designing a detailed in-fill drilling program and engaging a third party to conduct the metallurgical test work that will form the basis of the revised beneficiation process; and
- advanced the development of Itafos Farim to construction ready state, including achieving substantial completion of construction of the contractor’s camp and advanced project financing, related permitting and offtake initiatives.

For the three months ended June 30, 2020, the Company’s other highlights included issuance of 11,347 shares (net of 3,653 shares withheld to pay applicable taxes) due to vesting under the Company’s restricted share unit plan (the “RSU Plan”).

Subsequent to the three months ended June 30, 2020, the Company’s overall highlights were as follows:

- decided to conduct a reduced scope plant turnaround at Itafos Conda during July 2020 as part of its risk mitigation measures during the COVID-19 pandemic, which was completed with no environmental releases or recordable injuries;
- announced that Itafos Conda has been experiencing a significant disruption in sulfuric acid supply from Rio Tinto’s Kennecott mine and advanced efforts to mitigate potential adverse effects of the disruption;
- closed a $20,000 secured working capital financing at Itafos Conda with JPMorgan Chase Bank, N.A. (the “Revolving Facility”), which refinanced the $20,000 secured working capital financing at Itafos Conda with Gavilon Fertilizer, LLC (the “Gavilon Facility”), of which $10,000 was drawn at closing;
- repaid the Gavilon Facility in full in connection with closing the Revolving Facility;
- drew an additional $5,300 under the CLF Promissory Note with an additional $5,400 available to be drawn by the Company at its sole discretion through the Availability Period;
- advanced the wind down of the Itafos Paris Hills concession, including issuing mineral lease termination letters to land owners, following completion of the Itafos Conda Technical Report, which defined H1/NDR as the Company’s path forward for mine life extension at Itafos Conda; and
- cash settled 27,154 RSUs for $6 under the RSU plan.

Financial Highlights

For the three months ended June 30, 2020 and 2019, 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,* 2020	2019	*For the six months ended June 30,* 2020	2019
Revenues	$ 62,111	$ 103,072	$ 137,472	$ 176,250
Operating loss	(10,576)	(14,079)	(22,819)	(20,089)
Adjusted EBITDA	11,324	(2,347)	10,536	(200)
Net loss	(20,814)	(21,597)	(39,103)	(34,928)
Maintenance capex	$ 1,582	$ 11,861	$ 3,501	$ 17,047
Growth capex	1,463	3,164	2,869	6,180
Basic loss per share	$ (0.11)	$ (0.15)	$ (0.21)	$ (0.25)

Fully diluted loss per share	$ (0.11)	$ (0.15)	$ (0.21)	$ (0.25)

For the three months ended June 30, 2020 and 2019, the Company’s financial highlights were explained as follows:

- revenues were down year-over-year primarily due to lower sales volumes and lower realized prices from continued downward pressure on diammonium phosphate (“DAP”) New Orleans (“NOLA”) prices to which MAP sales prices are linked at Itafos Conda and the idling of Itafos Arraias;
- adjusted EBITDA was up year-over-year primarily due to improved margins at Itafos Conda, cost savings following the idling of Itafos Arraias, and implementation of aggressive corporate wide cost savings and deferral of spending initiatives;
- net loss was down year-over-year primarily due to the same factors that resulted in improved adjusted EBITDA, which were largely offset by a write-off of mineral properties at Itafos Paris Hills;
- maintenance capex was down year-over-year primarily due to the Company’s decision to conduct a reduced scope plant turnaround at Itafos Conda during July 2020 as part of its risk mitigation measures during the COVID-19 pandemic; and
- growth capex was down year-over-year primarily due to reduced spend at Itafos Farim upon reaching construction ready state.

As at June 30, 2020 and December 31, 2019, the Company’s financial highlights were as follows:

(unaudited in thousands of US Dollars)	June 30, 2020	December 31, 2019
Total assets	$ 450,713	$ 510,764
Total liabilities	345,087	368,505
Net debt	212,135	187,319
Adjusted net debt	153,469	136,900
Total equity	105,626	142,259

As at June 30, 2020 and December 31, 2019, the Company’s financial highlights were explained as follows:

- total assets were down period-over-period primarily due to lower inventory at Itafos Conda and Itafos Arraias and higher depreciation and depletion at Itafos Conda, which was partially offset by fixed assets additions primarily at Itafos Conda;
- total liabilities were down period-over-period primarily due to lower trade and taxes payable at Itafos Conda;
- net debt was up period-over-period primarily due to lower cash and cash equivalents and additional debt resulting from paid-in-kind interest related to the Company’s secured term credit facility (the “Facility”) and draw under the CLF Promissory Note;
- adjusted net debt was up period-over-period primarily due to lower cash and cash equivalents and additional debt resulting from paid-in-kind interest related to the Facility; and
- total equity was down period-over-period primarily due to net loss recorded during the period.

Itafos Conda Highlights

The Company is closely monitoring potential risks to Itafos Conda’s employees, contractors and operations as a result of COVID-19. Itafos Conda has been deemed an essential business as part of the fertilizer and agriculture sector and therefore has not been forced to shut down operations on account of COVID-19. The Company is not currently projecting any material impact on Itafos Conda’s operations as a result of COVID-19.

In response to COVID-19, the Company has implemented and continued risk mitigation measures at Itafos Conda to address potential impacts to its employees, contractors and operations as follows:

- adopted temporary travel restrictions;
- established a daily COVID-19 emergency operations center to track and respond in real-time to regional and local developments;
- implemented measures to reduce on site presence and interaction of staff;
- increased cleaning and disinfecting measures;

- adopted new policies related to sick leave and isolation in case of symptoms;
- established ongoing dialogue with key business partners (customers, logistics providers, mining contractor, health insurance provider) to continually monitor the situation;
- requalified supervisors and staff on applicable critical operations in the event of an outbreak; and
- assessed business relief options.

To date, there has been one confirmed case of COVID-19 amongst employees and two confirmed cases amongst contractors at Itafos Conda. Following such confirmed cases, Itafos Conda implemented stringent quarantine and sanitation efforts to isolate such incidents and prevent further spread.

For the three and six months ended June 30, 2020, Itafos Conda continued its strong track record of environmental, health, and safety excellence with no environmental releases and one recordable injury.

For the three months ended June 30, 2020, Itafos Conda experienced lower MAP and APP production resulting from a disruption in sulfuric acid from its primary supplier, while SPA production remained largely consistent. Margins improved due to lower input costs from improved mining rates and lower raw materials costs, which were partially offset by lower realized prices.

For the six months ended June 30, 2020, Itafos Conda achieved higher SPA throughput from improved production efficiencies and higher railcar availability, which resulted in lower MAP and APP production. The lower MAP and APP production was also impacted by a disruption in sulfuric acid from its primary supplier. Itafos Conda also completed a second successful production run of its new line of micronutrient enhanced products, MAP+. Margins were largely consistent year-over-year as lower input costs from improved mining rates and lower raw materials costs were mostly offset by lower realized prices and higher depreciation and depletion.

For the three and six months ended June 30, 2020, overall fertilizer market prices remained depressed, particularly granular products, after a sharp decline since Q1 2019 due to lower consumption resulting from unusually wet weather conditions in North America.

For the six months ended June 30, 2020, the Company advanced activities related to extending Itafos Conda’s mine life through permitting and development of H1/NDR, including securing support from the Idaho legislature via House Joint Memorial #11, which passed unanimously as well as numerous letters of support from local and state officials and preparing and submitting an updated Mine and Reclamation Plan to the BLM as part of the NEPA permitting process.

For the six months ended June 30, 2020, the Company advanced activities related to optimizing Itafos Conda’s EBITDA generation capability, including completing the micronutrient addition to granulation project to support its new line of micronutrient enhanced products, advancing development of MAP enhanced with zinc as an additional product in the new line of micronutrient enhanced products and evaluating proposals received for pilot testing and a FEED study related to AHF/PS by-product recovery and a feasibility study related to on-site ammonia production.

On July 10, 2020, the Company announced its decision to conduct a reduced scope plant turnaround at Itafos Conda during July 2020 as part of its risk mitigation measures during the COVID-19 pandemic. On August 20, 2020, the Company announced that Itafos Conda completed the reduced scope plant turnaround with no environmental releases or recordable injuries.

On August 20, 2020, the Company announced that Itafos Conda has been experiencing a significant disruption in sulfuric acid supply from Rio Tinto’s Kennecott mine. Itafos Conda fulfills approximately 40% of its sulfuric acid requirements from volumes produced internally and approximately 60% from a combination of volumes received from Rio Tinto’s Kennecott mine under a long-term supply agreement and volumes procured from other third party suppliers. On August 18, 2020, Rio Tinto announced that its Kennecott mine in Utah has experienced delays to the restart of the smelter. According to Rio Tinto’s announcement, such delays to the restart of the smelter are due to unexpected issues that appeared following planned maintenance. Rio Tinto further announced that they are working closely with their customers to limit any disruptions and expect to have the smelter fully operational in two months. The Company has been and will continue working to mitigate potential adverse effects of the disruption in sulfuric acid supply to Itafos Conda from Rio Tinto’s Kennecott mine.

On August 10, 2020, Itafos Conda closed the Revolving Facility, which refinanced the Gavilon Facility. The Revolving Facility considers a commitment to loan up to $20,000, of which $10,000 was drawn at closing. The proceeds of the Revolving Facility were initially used to repay the Gavilon Facility and thereafter will be used for working capital and general purposes. At closing, an additional 10,000 remained available to be drawn by Itafos Conda subject to certain terms and conditions.

For the three months ended June 30, 2020 and 2019, 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,*		*For the six months ended June 30,*	
	2020	*2019*	*2020*	*2019*
Production volumes (t)				
MAP	85,018	92,248	175,566	191,003
MAP+	1,538	—	6,813	—
SPA	37,173	36,997	73,438	72,531
MGA	120	581	703	611
APP	10,542	21,102	17,767	26,534
Total production volumes	134,391	150,928	274,287	290,679
Sales volumes (t)				
MAP	70,812	121,786	176,584	198,763
MAP+	3,811	—	6,464	—
SPA	33,388	34,192	75,619	67,639
MGA	190	1,231	703	1,261
APP	11,967	18,910	13,614	21,348
Total sales volumes	120,168	176,119	272,984	289,011
Realized price ($/t)				
MAP	$ 316	$ 394	$ 303	$ 415
MAP+	$ 360	$ —	$ 362	$ —
SPA	$ 975	$ 997	$ 957	$ 1,001
MGA	$ 1,026	$ 555	$ 967	$ 565
APP	$ 456	$ 472	$ 456	$ 472
Revenues ($)				
MAP	$ 22,364	$ 48,067	$ 54,196	$ 82,553
MAP+	$ 1,371	$ —	$ 2,337	$ —
SPA	$ 32,558	$ 34,089	$ 69,464	$ 67,715
MGA	$ 195	$ 683	$ 680	$ 712
APP	$ 5,460	$ 8,925	$ 6,203	$ 10,082
Total revenues	$ 61,948	$ 91,764	$ 132,880	$ 161,062
Revenues per tonne P_2O_5	$ 816	$ 872	$ 767	$ 897
Cash costs per tonne P_2O_5	$ 638	$ 774	$ 635	$ 768
Adjusted EBITDA	$ 14,458	$ 11,282	$ 23,753	$ 22,739
Maintenance capex	$ 1,582	$ 11,275	$ 3,201	$ 13,845
Growth capex	$ 1,229	$ 1,323	$ 3,153	$ 1,811

For the three months ended June 30, 2020 and 2019, Itafos Conda’s business highlights were explained as follows:

- total production volumes were down year-over-year primarily due to a disruption in sulfuric acid from its primary supplier resulting in lower APP and MAP production;
- total sales volumes were down year-over-year primarily due to lower MAP sales, as Q2 2019 saw substantially higher lifting compared to normal run-rates, with lower APP also contributing;

- revenues per tonne P_2O_5 were down year-over-year primarily due to significant and continued downward pressure on DAP NOLA prices to which MAP sales prices are linked;
- cash costs per tonne P_2O_5 were down year-over-year primarily due to lower input costs from improved mining rates and lower raw material costs;
- maintenance capex was down year-over-year primarily due to the Company’s decision to conduct a reduced scope plant turnaround at Itafos Conda during July 2020 as part of its risk mitigation measures during the COVID-19 pandemic; and
- growth capex was largely consistent year-over-year primarily due to activities related to extending Itafos Conda’s mine life through permitting and development of H1/NDR.

Itafos Arraias Highlights

The Company continues to monitor potential risks to Itafos Arraias’ employees, contractors and operations as a result of COVID-19. Itafos Arraias has been deemed an essential business as part of the fertilizer and agriculture sector and therefore has not been forced to shut down operations or care and maintenance activities on account of COVID-19. The Company is not currently projecting any material impact on Itafos Arraias’ operations or care and maintenance activities because of COVID-19. Notwithstanding, the Company is improving the measures to mitigate the risk of contractors and employees during the in-fill drilling program expected to take place during H2 2020.

In response to COVID-19, the Company has implemented and continued risk mitigation measures at Itafos Arraias to address potential impacts to its employees, contractors and operations as follows:

- adopted temporary travel restrictions;
- temporarily closed the S?o Paulo office and implemented measures to facilitate employees working from home;
- cancelled all non-critical site visits and implemented measures to safely continue critical activities (e.g., tailings dam inspections);
- increased safety measures related to screening site visitors;
- increased cleaning and disinfecting measures;
- adopted new policies related to sick leave and isolation in case of symptoms; and
- adopted the procedure to conduct COVID-19 tests to all employees and contractors in a weekly basis to ensure a safe and healthy environment during the in-fill drilling program.

Currently, there are no confirmed cases of COVID-19 amongst employees or contractors at Itafos Arraias.

For the three and six months ended June 30, 2020, Itafos Arraias continued its strong track record of environmental, health, and safety excellence with no environmental releases or recordable injuries.

On November 21, 2019, the Company announced its decision to idle Itafos Arraias and 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 and the additional capital requirements to complete the Repurpose Plan.

For the three and six months ended June 30, 2020, the Company safely completed and maintained the idling of Itafos Arraias following best practices to protect and preserve the value of the underlying assets. Following receipt of approval from the labor union, the Company completed the employee layoffs and contractor terminations at Itafos Arraias associated with the idling. Notwithstanding the idling of Itafos Arraias, the Company will continue to employ personnel that are necessary for the care and maintenance of the assets and will continue to maintain all licenses and permits in good standing and compliance with existing regulations. In addition, the Company successfully monetized inventory and raw materials at Itafos Arraias to partially offset costs.

In parallel with its decision to idle Itafos Arraias, the Company engaged the services of Golder Associates Inc. (“Golder”) and Jesa Technologies LLC (“Jesa”) to conduct third party reports on Itafos Arraias’ mine and beneficiation plant, respectively. The third party reports, which were completed in January 2020, confirm that restarting Itafos Arraias’ mine and beneficiation plant is feasible and outline the respective timing and capex requirements.

For the three months ended June 30, 2020, the Company launched a stage-gate restart program for Itafos Arraias. Each stage-gate must be cleared before progressing to the next stage of the program, thereby limiting exposure, and managing the risk. The first stage-gate is the development of a revised geological model and long-term mine plan of the Domingos pit. Accordingly, the Company designed a test work campaign aimed at the metallurgical characterization of the Domingos ore as well as a detailed in-fill drilling program. The revised long-term mine plan will be developed to verify ability to deliver constant ore grade to the beneficiation process, while the beneficiation plant process design will be revised to match the geometallurgical characterization of the ore. As part of this stage-gate, the Company engaged Jesa in June 2020 to conduct the metallurgical test work that will form the basis of the revised beneficiation process. The metallurgical test work being conducted by Jesa is expected to be completed in approximately nine-months.

In February 2020, Itafos Arraias secured important long-term tax incentives. As Itafos Arraias is domiciled in Brazil, the business is subject to a federal tax rate of 34%, composed of a federal corporate income tax of 25% and other taxes of 9%. The location of Itafos Arraias’ assets makes it eligible to participate in a regional development program administered by the Superintend?ncia do Desenvolvimento da Amaz?nia (“SUDAM”). Created in 1966 to promote development of the Amazon region in Brazil, SUDAM offers tax incentives that allow eligible companies to reduce the federal tax rate of 34% to 15.25% by means of a 75% discount to the federal corporate income tax of 25%. In February 2020, SUDAM accepted Itafos Arraias’ application, granting Itafos Arraias the tax incentives for a period of ten years with an opportunity to extend thereafter.

For the three months ended June 30, 2020 and 2019, Itafos Arraias’ business highlights were as follows:

(unaudited in thousands of US Dollars	*For the three months ended June 30,*		*For the six months ended June 30*	
except for volumes and prices)	2020	2019	2020	2019
Production volumes (t)				
SSP	—	19,948	3,879	26,511
SSP+	—	32,055	1,113	40,646
PK compounds	—	—	—	—
Total production volumes	—	52,003	4,992	67,157
Excess sulfuric acid production volumes (t)	—	10,600	—	19,394
Sales volumes (t)				
SSP	1,886	14,917	27,315	22,050
SSP+	—	27,310	2,459	33,213
PK compounds	—	—	—	—
Total sales volumes	1,886	42,227	29,774	55,263
Excess sulfuric acid sales volumes (t)	—	10,600	5,213	19,394
Realized price ($/t)				
SSP	$ 86	$ 220	$ 134	$ 202
SSP+	$ —	$ 250	$ 184	$ 246
PK compounds	$ —	$ —	$ —	$ —
Excess sulfuric acid	$ —	$ 113	$ 90	$ 131
Revenues ($)				
SSP, net	$ 163	$ 3,290	$ 3,671	$ 4,464
SSP+, net	$ —	$ 6,825	$ 453	$ 8,176
PK compounds	$ —	$ —	$ —	$ —
Total revenues	$ 163	$ 10,115	$ 4,124	$ 12,640
Excess sulfuric acid revenues ($)	$ —	$ 1,200	$ 468	$ 2,548
Revenues per tonne P_2O_5	$ 508	$ 1,379	$ 919	$ 1,324
Cash costs per tonne P_2O_5	$ 2,240	$ 1,654	$ 2,163	$ 2,532
Adjusted EBITDA	$ (1,078)	$ (8,965)	$ (6,601)	$ (15,382
Maintenance capex	$ —	$ 567	$ —	$ 3,169
Growth capex	$ —	$ 416	$ —	$ 1,003

For the three and six months ended June 30, 2020, and 2019, Itafos Arraias’ business highlights were as follows:

- total production and sales volumes were down year-over-year due to the idling of Itafos Arraias;
- overall realized prices were down year-over-year primarily due to significant and continued downward pressure on fertilizer prices and implementation of an aggressive program to monetize remaining inventory and raw materials to partially offset costs;
- adjusted EBITDA was up year-over-year primarily due to the lower level of activities associated with the idling of Itafos Arraias and implementation of aggressive corporate wide cost savings and deferral of spending initiatives; and
- total capex was down year-over-year primarily due to the idling of Itafos Arraias.

Financial Outlook

The Company is closely monitoring potential risks to its operations as a result of COVID-19, including factors that could impact production or demand for its products. Despite near-term uncertainties, the Company is not currently projecting any material impact on its operations or financial outlook as a result of COVID-19. In response to COVID-19, the Company has implemented working practices at its businesses and projects to address potential impacts to its employees, contractors and operations and will take further measures in the future, if required.

The Company provides guidance on certain non-IFRS measures that management considers to evaluate the Company’s operational and financial performance. Management believes that the non-IFRS measures provide useful supplemental information to investors, analysts, lenders and others.

The Company has revised its original guidance for 2020 as follows:

	revised		*original*	
(in thousands of US Dollars)	Low	High	Low	High
Adjusted EBITDA	$ 10,000	$ 20,000	$ 10,000	$ 20,000
Maintenance capex	5,000	10,000	15,000	25,000
Growth capex	8,000	13,000	5,000	10,000
Adjusted net debt	170,000	180,000	170,000	180,000

The Company’s revised guidance is explained as follows:

- maintained adjusted EBITDA guidance due to increased pricing projections offset by sulfuric acid supply disruption at Itafos Conda;
- reduced maintenance capex guidance due to the Company’s decision to conduct a reduced scope plant turnaround at Itafos Conda during July 2020;
- increased growth capex guidance due to advancement of EBITDA optimization initiatives at Itafos Conda and the stage-gate restart program at Itafos Arraias; and
- maintained adjusted net debt guidance.

Business 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 capability;
- advancing the stage-gate restart program and evaluating strategic alternatives for Itafos Arraias;
- advancing project financing, related permitting and offtake initiatives as well as evaluating strategic alternatives for Itafos Farim;
- advancing the wind down of the Itafos Paris Hills concession following completion of the Itafos Conda Technical Report, which defined H1/NDR as the Company’s path forward for mine life extension at Itafos Conda;
- maintaining the integrity of the concessions and evaluating strategic alternatives for Itafos Santana, Itafos Mantaro and Itafos Arax?;

- advancing aggressive corporate-wide cost savings and deferral of spending initiatives; and
- advancing capital raising initiatives to support the Company’s strategic initiatives and development objectives.

About Itafos

The Company is a pure play phosphate and specialty fertilizer platform with an attractive portfolio of strategic businesses and projects located in key fertilizer markets, including North America, South America and Africa.

The Company’s businesses and projects are as follows:

- 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 ammonium polyphosphate (“APP”) located in Idaho, US;
- Itafos Arraias – a vertically integrated phosphate mine and fertilizer business with production and sales capacity of approximately 500kt per year of single superphosphate (“SSP”), SSP with micronutrients (“SSP+”) 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 Par?, Brazil;
- Itafos Mantaro – a phosphate mine project located in Junin, Peru; and
- Itafos Arax? – 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 at 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 define its non-IFRS measures as follows:

- “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 less cash and cash equivalents plus deferred financing costs;
- “Related party debt” as the Company’s portion of debt held by a related party;
- “Adjusted net debt” as net debt adjusted for related party debt;
- “Realized price” as revenues divided by sales volumes;

- “Revenues per tonne P_2O_5” as revenues divided by sales volumes presented on P_2O_5 basis;
- “Cash costs” as cost of goods sold less net realizable value adjustments, depreciation, depletion and amortization; and
- “Cash cost per tonne P_2O_5” as cash costs divided by sales volumes presented on P_2O_5 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 and on the Company’s website at www.Itafos.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. The Company undertakes no obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

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