

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Itafos (**Itafos** or the **Company**)
Ugland House
Grand Cayman, Cayman Islands
KY1-1104

Item 2 Date of Material Change

December 31, 2019

Item 3 News Release

Two news releases with respect to the material change were disseminated by the Company on December 31, 2019 through GlobalNewswire and subsequently filed on SEDAR. Copies of the news releases are attached hereto as Schedule "A".

Item 4 Summary of Material Change

On December 31, 2019, the Company announced that it completed its previously announced US\$36,000,000 capital raise with CL Fertilizers Holding LLC (**CLF**) through a non-brokered private placement financing of US\$15,000,000 and an amendment to increase the availability of a previously issued unsecured subordinated promissory note by US\$21,000,000.

CLF subscribed for 38,076,923 shares in the capital of the Company at an offering price of CAD\$0.52 per share on a non-brokered private placement basis, for aggregate gross proceeds of US\$15,000,000 (equivalent to approximately CAD\$19,800,000) (the **Private Placement**).

The Company and CLF have also amended the convertible unsecured and subordinated promissory note in favor of CLF that was issued by the Company on September 11, 2019 to make the promissory note non-convertible and increase the availability by US\$21,000,000 (together with the Private Placement, the **Transaction**).

In connection with the Transaction, the Company and CLF have entered into an investor rights agreement (the **IRA**). Pursuant to the IRA, the Company has granted CLF, among other rights, the right to (i) participate pro-rata on future equity issuances, (ii) designate two nominees to the Company's Board of Directors so long as CLF holds more than 20% of the Company's outstanding shares on an undiluted basis and (iii) designate one nominee to the Company's Board of Directors so long as CLF holds more than 10% of the Company's outstanding shares on an undiluted basis.

The Company also announced on December 31, 2019 that it has executed an amended and restated credit and guaranty agreement (the **A&R Credit Agreement**). The A&R Credit Agreement replaces the existing credit and guaranty agreement dated May 18, 2018, including prior amendments, and further amends certain terms to provide the Company with additional financial flexibility including deferring the testing of financial covenants and reducing cash interest payable in 2020.

Item 5 Full Description of Material Change:

Please see the attached Schedule "A" for copies of the news releases issued on December 31, 2019.

Item 6 Reliance on Section 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Mohamed Ibnabdeljalil
Chief Executive Officer
Email: m.ibnabdeljalil@itafos.com

Item 9 Date of Report

January 10, 2020

SCHEDULE "A"

Press Releases dated December 31, 2019

ITAFOS ANNOUNCES CLOSING OF US\$36,000,000 CAPITAL RAISE THROUGH NON-BROKERED PRIVATE PLACEMENT FINANCING AND AMENDMENT TO UNSECURED SUBORDINATED PROMISSORY NOTE

TORONTO, ON – December 31, 2019 – Itafos (TSX VENTURE: IFOS) (the “**Company**”) announced today that it has completed its previously announced US\$36,000,000 capital raise with CL Fertilizers Holding LLC (“**CLF**”) through a non-brokered private placement financing of US\$15,000,000 and an amendment to increase the availability of a previously issued unsecured subordinated promissory note by US\$21,000,000. The proceeds of the capital raise are expected to be used to fund general working capital and capital expenditure needs of the Company and its subsidiaries.

CLF subscribed for 38,076,923 shares in the capital of the Company (the “**Subject Shares**”) at an offering price of CAD\$0.52 per share on a non-brokered private placement basis, for aggregate gross proceeds of US\$15,000,000 (equivalent to approximately CAD\$19,800,000) (the “**Private Placement**”). No finder’s fees or commissions were paid in connection with the Private Placement.

The Company and CLF have also amended the convertible unsecured and subordinated promissory note in favor of CLF that was issued by the Company on September 11, 2019, to make the promissory note non-convertible and increase the availability by US\$21,000,000 (the “**Amended CLF Promissory Note**” and together with the Private Placement, the “**Transaction**”). As of today, the Company has borrowed US\$5,000,000 of the available US\$21,000,000, with the balance of US\$16,000,000 remaining available to be drawn by the Company at its sole discretion through December 31, 2020. An availability fee of 4% per year shall apply on undrawn amounts during the availability period with such fee to be capitalized and added to principal on a quarterly basis. Other than the changes specified in this news release, all other terms of the Amended CLF Promissory Note have remained unchanged.

In connection with the Transaction, the Company and CLF have entered into an investor rights agreement (the “**IRA**”). Pursuant to the IRA, the Company has granted CLF, among other rights, the right to (i) participate pro-rata on future equity issuances, (ii) designate two nominees to the Company’s Board of Directors so long as CLF holds more than 20% of the Company’s outstanding shares on an undiluted basis and (iii) designate one nominee to the Company’s Board of Directors so long as CLF holds more than 10% of the Company’s outstanding shares on an undiluted basis.

Related Party Transaction

CLF is a “related party” to the Company under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) by virtue of CLF’s shareholdings being in excess of 10% of the Company’s issued and outstanding share capital. Accordingly, the completion of the Private Placement and the entering into of the Amended CLF Promissory Note each constitute a “related party transaction” under MI 61-101. The Transaction is exempt from (i) the formal valuation requirements under Section 5.4 of MI 61-101 pursuant to Subsection 5.5(b) of MI 61-101; and (ii) the minority approval requirements under Section 5.6 of MI 61-101 pursuant to Subsection 5.7(1)(a) as it relates to the Private Placement and the amendment to make the Amended CLF Promissory Note non-convertible and Subsection 5.7(1)(f) as it relates to the increase in availability under the Amended CLF Promissory Note.

United States Securities Legislation

In accordance with United States securities legislation, the Subject Shares are subject to resale restrictions pursuant to a 'distribution compliance period' (as defined in Regulation S under the United States Securities Act of 1933, as amended) of one year from the date the Subject Shares were issued. Concurrently, in accordance with applicable Canadian securities legislation, the Subject Shares are subject to a statutory hold period of four months plus a day from the date the Subject Shares were issued.

This news release does not constitute an offer of securities for sale in the US. The securities issued have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the US absent US registration or an applicable exemption from US registration requirements. Hedging transactions involving the Subject Shares may not be conducted unless in compliance with the United States Securities Act of 1933, as amended.

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.

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. Forward looking information in this news release includes,

but is not limited to, statements with respect to the intended use of proceeds. 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. 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.

NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

For further information, please contact:

Itafos Investor Relations
investor@itafos.com
www.itafos.com

ITAFOS ANNOUNCES AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT

TORONTO, ON – December 31, 2019 – Itafos (TSX VENTURE: IFOS) (the “**Company**”) announced today that it has executed an amended and restated credit and guaranty agreement (the “**A&R Credit Agreement**”). The A&R Credit Agreement replaces the existing credit and guaranty agreement dated May 18, 2018, including prior amendments, and further amends certain terms to provide the Company with additional financial flexibility including deferring the testing of financial covenants and reducing cash interest payable in 2020.

The key further amended terms of the A&R Credit Agreement are as follows:

- delayed testing of financial covenants until September 30, 2020 and re-sculpted financial covenants thereafter considering the Company’s business plan;
- reallocated interest of 12% per annum from 9% payable in cash and 3% payable in kind to 5% payable in cash and 7% payable in kind until December 6, 2020 or certain conditions have been met;
- eliminated additional interest of 1% per annum payable in cash for each quarter that the Company’s Consolidated Secured Leverage Ratio is equal to or greater than 4.00:1.00 at the end of such quarter;
- reduced minimum cash requirement from US\$2.5 million to US\$1.0 million; and
- other terms and conditions customary for similar agreements.

In exchange for eliminating additional interest of 1% per annum payable in cash for each quarter that the Company’s Consolidated Secured Leverage Ratio is equal to or greater than 4.00:1.00 at the end of such quarter, the Company intends to issue five million shares (the “**Shares**”) to lenders to the A&R Credit Agreement, subject to approval from the TSX Venture Exchange. Until the issuance of the Shares is approved by the TSX Venture Exchange and such Shares have been issued to the lenders to the A&R Credit Agreement, the Company would be subject to additional interest of 1.25% per annum payable in kind for each quarter that the Company’s Consolidated Secured Leverage Ratio is equal to or greater than 4.00:1.00 at the end of such quarter.

Lenders to the A&R Credit Agreement include funds managed by BlackRock and a syndicate of other lenders including CL Fertilizers Holding LLC (“**CLF**”). CLF is a “related party” to the Company under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) by virtue of its shareholding being in excess of 10% of the Company’s issued and outstanding share capital. Accordingly, the A&R Credit Agreement constitutes a “related party transaction” under MI 61-101. The A&R Credit Agreement is exempt from (i) the formal valuation requirements under Section 5.4 of MI 61-101 pursuant to Subsection 5.5(b) of MI 61-101; and (ii) the minority approval requirements under Section 5.6 of MI 61-101 pursuant to Subsection 5.7(1)(a) and 5.7(1)(f).

In accordance with United States securities legislation, the Shares will be subject to resale restrictions pursuant to a ‘distribution compliance period’ (as defined in Regulation S under the United States Securities Act of 1933, as amended) of one year from the date the Shares are issued. Concurrently, in accordance with applicable Canadian securities legislation, the Shares will be subject to a statutory hold period of four months plus a day from the date the Shares are issued.

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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. 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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