Canpotex

Inspiring Growth

MEMORANDUM

Date: January 7, 2019

To: Members of the Board of Directors (the "Board") of Canpotex Limited ("Canpotex")

From: Canpotex Executive Leadership Team

Subject: **Market update with Interim Pricing and Three-Month Projection**

The detailed regional updates are provided below.

Brazil

2017 Imports (Estimated)	9,579,000 MT	Up 6% compared to 2016
2018 Imports (Forecast)	10,200,000 MT	Up 6% compared to 2017
2018 Canpotex Sales (Forecast)	3,095,000 MT	Up 15% compared to 2017
2018 Canpotex Market Share (Forecast)		30% compared to 28% in 2017

As usual for December, market activities were slow and MOP prices were stable at US$350-360/MT CFR. As the perspective for demand remains strong for 2019, prices may retake an upward trend as soon as the scenario on the field gets a better definition and commercialization starts again.

The soybean crop was planted earlier this year and the harvest period is about to begin. Due to some drought periods, yields are expected to be lower than expected, especially in the states of Paraná, Mato Grosso do Sul and some places of the Southeast region. The soybean harvest will be followed by the second crop planting (cotton and corn). Much of the fertilizer needs for the second crop have already been acquired by farmers, leaving only a balance to be covered in the first months of 2019.

Fertilizer sales for the next summer crop (2019/2020) have not yet picked up the pace. With the unfavorable fertilizer x soybean barter ratio and plenty of time to acquire the inputs, farmers are waiting for a better opportunity window to buy inputs.

Regarding the industry fertilizer market data, ANDA has announced that starting from November 2018, deliveries and national production data will only be released with a 4 month delay. Only import data will be released on a monthly basis. Despite not having the numbers confirmed yet, our estimates for NPK deliveries remain unchanged: an over 1 million MT increase over 2017, ending 2018 between 35.5 and 36 million MT. Official numbers about deliveries are expected to be released only in May 2019.

If the year goes as planned, 2019 will be another year of growth for the fertilizer market. The overall volume is expected to increase by 500,000-1.0 million MT, to 36-36.5 million MT. MOP consumption is expected to grow by 300-400,000 MT (up 3.9%) ending 2019 at around 10.6 million MT, also continuing to increase its share among the other consumed raw materials.

MOP imports in 2018 are expected to 10.2 million MT, 7.2% higher than last year (up 630,000 MT). Part of this increase was used to cover the low stocks of product and lower national production, besides the preparation for second crops.

For the next year, the main points of attention that can affect agribusiness and consequently fertilizer demand are: i) volatility and depreciation level of the exchange rate, ii) commercial war between USA and China, affecting the prices of the Brazilian soybean, iii) uncertainties regarding inland freight prices and legislation, and iv) strategic choices that the new government may take.

After a year of great volatility, the exchange rate is ending 2018 at R$/US$3.87, a depreciation of 18.3% when compared to the R$/US$3.27 rate at the beginning of the year. The expectation for 2019 is less volatility but still a depreciated currency.

In regard to Herringer's debt, they failed in completing the agreed upon daily payments of US$120,000 in order to have the debt paid by December 2018. As a result, Canpotex filed a claim with EDC for the remaining US$1.9 million and received payment from EDC.

China

2017 Imports	7,335,000 MT	Up 4% compared to 2016
2018 Imports (Forecast)	7,300,000 MT	Unchanged from 2017
2018 Canpotex Sales (Forecast)	2,475,000 MT	Up 20% from 2017
2018 Canpotex Market Share (Forecast)		34% compared to 28% in 2017

China is projected to import 7.3 million MT potash in 2018, similar to the 2017 import volume of 7.34 million MT. Canpotex's market share is expected to increase to 34% from 28% in 2017, with a 20% increase in sales volumes from 2.1 million MT in 2017 to 2.47 million MT in 2018.

As of November 2018, China MOP import (by arrival) has totaled 6.5 million MT, a drop of 6% year-over-year (YOY). The main reason for this decrease is the contract settlement delay in 2018.

China's domestic market price remains strong. Spot prices at ports have increased to RMB 2,450/MT (US$305/MT CFR equivalent) for red standard grade and RMB 2,600/MT (US$325/MT CFR equivalent) for granular and white grades.

Potash inventory at ports has dropped to below 1.5 million MT.

Korea/Taiwan

The prices in Korea and Taiwan are strong. Korean MOP imports (by arrival) have totaled 527,000 MT by the end of November. Canpotex accounts for 70% of the imports, at 367,000 MT. ICL accounts for 9%, at 46,000 MT, while BPC is at 19%, with a total of 100,000 MT. Canpotex's sales price to Korean customers is from US$325 to US$330 CFR for products loading in quarter one 2019.

Taiwan 2018 MOP imports (by arrival) has totaled 297,000 MT by the end of November. Canpotex accounts for 67% of imports, at 198,000 MT. ICL accounts for 9%, at 25,000 MT, and APC at 18%, with a total of 53,000 MT. Canpotex's sales price to Taiwan for quarter one 2019 is from US$320 to US$340 CFR, grade dependent.

Japan

We have finalized prices with Japanese customers for the first half 2019 and have agreed to a US$30/MT increase for all grades to achieve an FOB price level ranging from US$320 - US$366.50/MT depending on grade.

With strong pressure internally to show performance and structural changes to the government, Zen-Noh negotiated hard before accepting the US$30 price increase, but fully understood the global markets and eventually agreed to the price increase.

All remaining customers followed suit and agreed to the same increase amount.

India

2017 Imports (Estimate)	4,841,000 MT	Up 23% compared to 2016
2018 Imports (Forecast)	4,600,000 MT	Down 5% from 2017
2018 Canpotex Sales (Forecast)	1,298,000 MT	Down 5% from 2017
2018 Canpotex Market Share (Forecast)		28%, unchanged from 2017

Canpotex is projecting MOP imports of 4.6 million MT in 2018, down from initial projections of 5 million MT due to a slow pace of competitor shipments destined to India in the second half of the year. Canpotex sales (B/L basis) were 1.298 million MT in 2018 for a market share of 29%.

Potash sales in India are flat YTD due to a sales slowdown observed in the month of November. November sales were down 21% from the previous month and down 27% from November 2017 sales. The sales decrease is believed to be the result of local growers reducing purchases due to the higher price. The delay in demand erosion has been a result of old priced inventories in the market and although potash sales have experienced a slowdown this month, it remains too early to predict the full implications of the YOY USD$50 price increase. An ongoing encouraging sign is that our customers are still maintaining their first half 2019 shipment schedules.

Another potential reason for slower sales is that Uralkali has yet to commit to Indian buyers, limiting available supplies. Some industry sources have speculated Uralkali may re-enter the market in the new year, but this has not yet been confirmed.

An interesting development leading up to the national elections in May 2019 is the recent success that the opposition party in India (Congress Party) has achieved in some provincial elections. Three large states which formerly held BJP majorities have now moved to the Congress Party - many are attributing the losses as a result of rural distress. With the federal elections in May, many believe the government may take visible steps to alleviate discord in the rural sector. Given the short duration to election time, relief may come in the form of debt waivers, cash transfers and other doles vs. meaningful policies changes to provide sustainable farmer wellbeing. Despite this, some customers and industry experts are skeptical that there will be a subsidy change to favour potash.

Indonesia

2017 Imports (Estimate)	3,195,000 MT	Up 18% compared to 2016
2018 Imports (Forecast)	3,200,000 MT	Unchanged from 2017
2018 Canpotex Sales (Forecast)	1,357,000 MT	Up 13% compared to 2017
2018 Canpotex Market Share (Forecast)		42% compared to 38% in 2017

Canpotex is projecting potash imports to Indonesia in 2018 to reach approximately 3.2 million MT. Overall 2018 demand for potash in Indonesia is expected to be near to 2017 levels.

Low crude palm oil (CPO) price levels continue to be a concern for plantations. The larger corporate plantations are still profitable and are expected to continue their fertilizer programs into this season; however, their margins have significantly eroded. The small holders, who are much less cost efficient and make up 50% of the plantation demand for fertilizer, are expected to start cutting back on their fertilizer programs if input prices continue to rise and CPO prices do not appreciate.

In November, Canpotex agreed with our Indonesian customers to deliver 450,000 MT in first quarter 2019 at an average price of US$311.67/MT CFR. Canpotex indicated that pricing in the second quarter is expected to further appreciate and will once again try to partner with our customers to achieve these increases. We do, however, expect further buyer pushback on continued price increases and perhaps some demand destruction if profitability within the palm oil industry does not improve.

Malaysia

2017 Imports (Estimated)	2,106,000 MT	Up 5% compared to 2016
2018 Imports (Forecast)	2,100,000 MT	Unchanged from 2017
2018 Canpotex Sales (Forecast)	776,000 MT	Up 17% compared to 2017
2018 Canpotex Market Share (Forecast)		37% compared to 31% in 2017

Canpotex is projecting 2018 potash imports to Malaysia of approximately 2.1 million MT, similar to 2017 levels.

The tender season in Malaysia differs from Indonesia as the plantations seek delivery up to June 2019. Low priced inventory carryover coupled with low CPO prices continue to impede price momentum in the market. The tender season is underway, but many awards are still pending as plantations are re-evaluating their volume requirements. Potash prices have improved slightly in recent tenders however still lag behind Indonesia and are not yet at replacement cost levels. Given the current delays and reductions of volumes, our customers have already expressed concerns that fertilizer demand for 2019 is expected to be lower than 2018.

Similar to Indonesia, Canpotex has set a local price target of US$315/MT CFR with our customers for quarter one delivery and US$330/MT CFR for quarter two delivery. In November, Canpotex agreed to 150,000 MT for quarter one delivery with our largest Malaysian customer at prices ranging from US$310/MT CFR to US$315/MT CFR.

Bangladesh

With normal monsoon rainfall to date and no imminent flooding threat, farmer sentiment is positive throughout the primary potash consuming season from November through January (Boro season). Fertilizer sales have been very favourable over the last few months. With the next two months being a crucial time for the Boro season, it is expected that the farmer optimism will remain.

A continued concern on the suppliers' side right now is the inability to discharge vessels in an efficient manner, specifically with BADC, where some disport delays are reaching upwards of four weeks. This is a result of an influx of incoming fertilizer vessels and a limited availability of lighteners, causing a backlog of product into distribution. We do not believe this has had any implication for fertilizer sales for farmers.

Canpotex had a record year of sales to Bangladesh in 2018 totaling over 260,000 MT, with total imports for the market around 850,000 MT.

Southeast Asia

The Thailand fertilizer market is relatively quiet due to the year-end festivities and buying activity will resume again in early January for the ongoing secondary rice planting season. In the lead up to the country's general elections set on February 24th, 2019, the Thai government is reviewing domestic policies aimed at cutting fertilizer prices by 30% to support the agriculture sector. It is unclear at this point how the government intends to achieve this ambitious target, but local fertilizer manufacturers are already very concerned that this will pushed through at the expense of their operating margins. For first quarter agriculture grade shipments to Thailand, granular grade is firm at US$335/MT, and we expect to conclude new standard grade sales at US$315/MT, a US$15/MT increase from fourth quarter pricing. In addition, Canpotex also secured a US$30/MT price increase for industrial grade February and April shipments, taking pricing to US$360/MT.

Vietnam continues to see an encouraging drawdown of potash stock as local inventory has entered its fifth consecutive month of decline, following healthy demand and the reduction of potash shipments from all major suppliers. This has allowed local potash prices in Vietnam to climb further, with standard grade currently at VND7,300/KG (US$299/MT breakeven) and granular grade at VND8,100/KG (US$334/MT breakeven). The current major winter-spring season continues to see robust fertilizer demand and is expected to taper off at the end of January, before the long holiday season in Vietnam. Canpotex pricing to Vietnam for first quarter shipments remain stable at US$310-US$315/MT (standard) and US$330-US$335/MT (granular), with limited volumes committed at US$330/MT (standard) and US$350/MT (granular) for second quarter shipments.

December usually marks the start of the dry season fertilizer application for rice and maize in the Philippines, but fertilizer demand has been muted. Local distributors have resisted stocking up on fertilizers in anticipation of weaker prices, dampened by the softening of local urea prices. However, as weather conditions and rice prices are favorable to farmers, Canpotex's channels expect demand to eventually pick up strongly over the next few weeks. As such, prices in the Philippines remain firm at US$315/MT for first quarter shipments.

Canpotex potash continues to strengthen its presence and grow steadily in Myanmar, especially in the face of inconsistent supply from our competitors to the market in 2018. Given our ability to service the market in small, just-in-time lots, our channels are also better supported to deal with a depressed kyat, which has lost 18% against the dollar in the last twelve months and have put most fertilizer importers in the red for the year. The summer season for rice planting in Myanmar is ongoing and fertilizer demand is robust, spurred by strong rice prices. As such, for first quarter shipments to Myanmar, Canpotex secured a US$15/MT increase for both standard and granular grades, with pricing now at US$315/MT and US$335/MT respectively.

Australia/New Zealand

Negotiations on first half 2019 price are finalized with all east coast customers agreeing to prices ranging from US$345-360/MT, a US$30 increase from the second half 2018 price. On the west coast prices have been confirmed at US$330-US$335, which is slightly lower than the east due to competitively priced BPC product limiting our ability to increase prices in tandem with the east. We will continue to monitor the competitive situation in Australia and work with customers to satisfy requirements in order to maintain our leading market share.

2019 was a very successful year for potash sales. The market is currently in the offseason with limited activity, however, record crop production in the west this year has bolstered pre-orders, underpinning a positive outlook for the 2019.

In New Zealand, we have agreed to US$295 FOB price quarter one 2019. Local MOP demand in New Zealand has been favorable throughout 2018 and Ballance has been able to grow volumes on potash sales. The agriculture industry remains optimistic, despite colder than usual weather in the south and prospects for a dry summer, favorable exchange rates have contributed to farmer profitability adding positive momentum entering the summer months.

Europe

At the time of writing, Canpotex has shipped nearly 465,000 MT to Europe, a record year in volume while maintaining attractive netbacks, particularly for industrial grades (representing 262,000 MT of Canpotex sales to Europe). We have successfully re-established strategic alliances with four major industrial importers and one key buyer for agriculture products which has allowed Canpotex to secure direct shipments to Italy and achieved relatively large shipments from Vancouver/Portland/St. John to Antwerp to unlock freight savings.

For quarter one 2019, Canpotex has finalized prices with two industrial importers in the range of €298-302/MT FOB Antwerp (NET) and expect to conclude with the remaining other buyers at similar levels or slightly higher in early January as KOH market continue to recover. For agriculture grade, the current market is stable with prices steady at €277-280/t CFR for granular. Meanwhile, Canpotex expects modest price momentum in February/March from all suppliers as fresh import opportunities start to emerge due to seasonal demands.

Highly anticipated supply from the Bethune mine to Europe has been minimal, reportedly due to quality issues. Werra production in Germany reportedly sees no issues in quarter one 2019 as a result of various initiatives to minimize disruption. Total output of 2018 is projected in the range of 7.9-8.1 million tonnes from its potash and magnesium business unit.

Africa

For the first time in Canpotex history, we delivered 66,000MT of potash directly to Africa in 2018. With the fastest population growth in the world, Africa’s economic development has accelerated in recent years, gradually becoming a major fertilizer market. The pace and diversification of food requirements has been and will drive farmers to increase agricultural output and yields. Although total fertilizer consumption is still relatively small, total potash imports are expected to reach 1.35 million MT in 2018, compared to 350,000 MT just a few years ago in 2013.

Key importers in Africa are now projecting total imports of potash to be over 1.5 million MT in 2019. It is our belief that opportunities for future growth in the region will be materialized on two fronts, chemical NPK in Northern and Eastern Africa, and a shift to physical blending in coastal countries such as West Africa. With government support, countries endowed with mineral reserves of nitrogen in the Sub-Saharan countries will most likely to promote locally produced NPK blends to achieve savings in foreign exchange and safeguard local jobs while farmers will be benefited from products tailored specifically for local soils and crops.

There are various ways for Canpotex to participate in Africa, given the existing position with major importers with financial strength, strategic geographic location and relationship with local educators, operational experience and access to other supporting sectors such as buyers' logistics. We will look at the need to address the entire food value chain while focusing on reducing/avoiding intra-states transportation costs through targeted countries with sufficient access to seaports and public-private collaboration.

Regarding current market conditions, recent business has seen support at a new benchmark of US$275/MT (a US$10/MT increase) before rebate for standard MOP imports to North Africa, while retail prices to African farmers are still among the highest in the world.

Latin America (Excluding Brazil) and Mexico

2017 Imports for Agriculture (Estimate)	1,860,000 MT	Up 8% compared to 2016
2018 Imports for Agriculture (Forecast)	2,068,000 MT	Up 11% compared to 2017
2018 Canpotex Sales (Forecast)	1,004,000 MT	Up 18% compared to 2017
2018 Canpotex Market Share (Participated Market Forecast)		49% compared to 46% in 2017

Canpotex is expected to reach the 1 million MT shipment milestone on December 29, compared to 850,000MT, 630,000MT, 387,000MT in 2017, 2016 and 2015, respectively. We not only saw significant increases in market share but also maintained attractive netbacks in these markets by:

1) successfully re-establishing strategic alliances with major importers on the Atlantic Coast and the Pacific Coast to secure frequent, larger shipments;
2) servicing Atlantic Coast from Vancouver and Portland to achieve inland and ocean freight savings and expand product portfolio;
3) increasing volumes to high premium clients.

Subsequently, we have also seen reduced frequency and volume of competitor shipments with N, P, and K cargo. As a result, Canpotex achieved an increased market share to over 53% in all Central American countries, over 41% in Colombia and over 50% in South America.

Mexico

Total deliveries in 2018 are projected to be over 375,000 MT. Despite recent sales concluded by Uralkali in the high US$320s/MT (US$10/MT below the market), main buyers appear to be optimistic in anticipation of a strong first half based on positive crop economics. According to local reports, new offers from major suppliers for quarter one loading are in the range of US$325-US$335/MT CFR with terms. Among those, Russian producers continue to be most competitive.

Decisions taken in early December by some suppliers to divert scheduled large cargos from other countries into this market during the low season have put pressure on market prices. Canpotex expects prices to remain flat at around US$330/MT CFR for the most part of the first quarter as all importers will enter 2019 with healthy inventories of all products.

Caribbean

Total deliveries for 2018 to the entire region are projected at a record level of 160,000 MT. Although Canpotex continued to dominate this region, traditional Canpotex customers have experienced aggressive competition from traders' attempts to penetrate the market through partnership with a local bulk blend producer and undercutting prices. As a result, market share for Canpotex customers has slightly decreased. This is a high premium region for Canpotex and will be monitored by us very closely going forward. Meanwhile, the strong price momentum of fertilizer in 2018 has resulted in some farmers reducing the application rate of MOP.

Despite these factors, Canpotex still succeeded in surpassing 100,000 MT into the region in 2018 with the highest netbacks in Latin America. The last confirmed price is US$321/MT FOB Saint John for December 2018 loading, up US$64/MT in average from January 2018.

Heading into 2019, we are expecting demand to remain strong in the next 3-4 months supported by sugar tender contracts for the February/March peak application season followed by the rice season. The main players have full MOP inventory heading into the new year in preparation of the upcoming tenders.

Central America/Colombia

This area has been the core of Canpotex's regional strategy in 2017 and 2018. The latest projection continues to show a total delivery of around 850,000 MT with Canpotex accounting for around 50% of the total volume.

Recently, this market has notably been under pressure as some producers continued to divert cargos from Brazil into the rest of Latin America. December was relatively stressful as receivers are managing inventory levels heading into year-end. Some buyers are concerned about the extra volumes received during low season as well as its impact on quarter one 2019 prices.

All eyes will be on the next round of business starting the second week of January for February shipments (loading) in preparation of winter application season in late February and March. The last confirmed business was reportedly around US$330/MT CFR with 180-day terms for granular products January 2019 loading. Price indications for February/March loading are US$335-US$340/MT CFR with no confirmed business at present time. We believe quarter one prices are most likely going to remain flat at the current level of US$330/MT CFR.

Despite the current higher than usual inventory levels, many customers are seeing increased demand for MOP heavy blends, particularly for cash crops. As technology continues to play a larger role in agriculture, farmers in this region with sufficient resources demand products which are specifically designed for their land and crops, as opposed to the traditional core blends. For this reason, we expect an increase in demand for our white soluble standard product, potentially with premium prices compared to granular grades.

Argentina/Paraguay/Uruguay

For 2018, Paraguay continued to lead the area with approximately 260,000 MT of MOP imports, followed by Uruguay at 100,000 MT and Argentina at 40,000 MT. Canpotex's market reach has expanded substantially in this region by securing key importers and achieving larger sized (>30,000 MT) vessels with reduced but routine port calls and significant ocean freight savings. Total shipments in 2018 from Canpotex are over 210,000 MT representing an over 54% market share, more than double the volume of 2017.

Indicative prices for quarter one 2019 (late February loading) are in the range of US$345-US$355/MT CFR CAD.

Most importers reportedly closed the year with solid performance. An early and strong crop season is widely anticipated.

Ecuador/Peru/Chile

Despite the fact that domestic crop prices for all products continue to be under pressure in Ecuador and Peru, fertilizer demand has been strong. Major importers of MOP in Peru and Ecuador appear to be optimistic about the upcoming season and have decided to stock up as much product as possible in expectation of favorable crop price levels in the first half of 2019.

As reported previously, the Chilean MOP market remained extremely tight as traditional SQM customers continued to experience significant delays which left most consumers with almost no inventory entering 2019.

Total deliveries in 2018 will most likely reach 400,000 MT, representing an overall 10% growth from the previous year. Demand for potash in Ecuador is expected to close at around 180,000 MT. Canpotex will likely end the year with 65% of the Peruvian market and over 40% of Chilean market share.

Current indicative prices for late February loading are in the range of US$345-350/MT CFR.

CANPOTEX LIMITED PROJECTIONS
JANUARY 2019 INTERIM PRICING
In USD

Pricing to be Used for Invoicing

JANUARY INTERIM PRICE

	\$/MT K2O
Standard	**341.00**
Premium	**380.00**

CANPOTEX LIMITED PROJECTIONS
3 MONTHS ROLLING JANUARY - MARCH 2019
In USD

ESTIMATED NETBACK FOB MINE in $ / KCL MT

	CURRENT FORECAST	PREVIOUS FORECAST	VARIANCE
	$/MT	*$/MT*	*$/MT*
Standard	209.17	202.46	6.71
Premium	232.81	225.21	7.60
Total	**220.63**	**213.95**	**6.68**

ESTIMATED SALES VOLUMES IN KCL MT

	CURRENT FORECAST	PREVIOUS FORECAST	VARIANCE
	MT	*MT*	*MT*
Standard	1,487,249	1,639,436	(152,187)
Premium	1,398,483	1,672,298	(273,815)
Total	**2,885,732**	**3,311,734**	**(426,002)**

CANPOTEX LIMITED PROJECTIONS
3 MONTHS ROLLING JANUARY - MARCH 2019
In Total & By Area
In USD

ESTIMATED SALES VOLUME & FOB MINE NETBACKS IN $/KCLMT

	JANUARY		FEBRUARY		MARCH		3 MONTHS	
	PROJECTION		*PROJECTION*		*PROJECTION*		*PROJECTION*	
	MT	*$/MT*	*MT*	*$/MT*	*MT*	*$/MT*	*MT*	*$/MT*
Total Company								
STD	461,979	201.79	528,120	211.01	497,150	214.08	1,487,249	209.17
PRM	410,108	229.06	627,189	231.47	361,186	239.38	1,398,483	232.81
Total	**872,087**	**214.62**	**1,155,309**	**222.12**	**858,336**	**224.73**	**2,885,732**	**220.63**
Latin America								
STD	5,205	225.62	40,000	244.97	24,000	211.33	69,205	231.85
PRM	207,345	247.13	111,640	260.18	129,600	254.56	448,585	252.52
Total	**212,550**	**246.60**	**151,640**	**256.17**	**153,600**	**247.80**	**517,790**	**249.76**
Asia								
STD	456,774	201.52	467,229	208.79	473,150	214.22	1,397,153	208.25
PRM	141,763	206.97	390,500	224.03	182,436	231.04	714,699	222.44
Total	**598,537**	**202.81**	**857,729**	**215.73**	**655,586**	**218.90**	**2,111,852**	**213.05**

3 Months Rolling January – March 2019 Variance

	January Jan - Mar *$/MT*	December Dec - Feb *$/MT*	VARIANCE *$/MT*	NOTES
MT	*2,885,732*	*3,311,734*	*(426,002)*	
Net Sales Price	296.00	291.49	4.51	Increase in sales prices
Ocean Freight	25.84	28.24	2.40	Lower bunker prices
Inland Freight	31.37	31.78	0.41	Favourable loadport split and fuel surcharges, partially offset by decrease in volumes
Terminal	9.78	9.33	(0.45)	Decrease in volumes, partially offset by decrease in fixed costs
S&A	3.44	3.09	(0.35)	Decrease in volumes
Other Costs[1]	4.94	5.10	0.16	
Netback	220.63	213.95	6.68	

[1] Includes Warehouse, Credit & Other, Commissions, Market Development, Digital Transition, Finance Costs, Strategy Consulting, Other Income, FX, Tax

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COMMENTS & ASSUMPTIONS
January 7, 2019

1. Sales volumes for the three-month period are projected to total 2,885,732 MT. The projection includes approximate volumes for China of 840,631 MT, 233,972 MT for India, and 371,397 MT for Brazil.

2. Net sale prices are projected to average $296.00/MT ($308.04/MT invoice price), an increase of $4.51/MT from the previous projection.

3. Ocean Freight rates for the three-month period are projected to average approximately $28.21/MT CFR, a decrease of $2.03/MT from the previous projection. This decrease is due to lower bunker prices. The $28.21/MT CFR average equates to $25.84/MT on all tonnes compared to the previous projection of $28.24/MT, a decrease of $2.40/MT, due to an increase in FOB sales.

4. The US/CDN $ exchange rate is projected to average approximately 1.35 for the three-month period, compared to the previous projection of 1.33.

5. Inland Freight is $0.41/MT lower, due to favourable loadport split and fuel surcharges, partially offset by a decrease in volumes.

6. Terminal expense is $0.45/MT higher, due to a decrease in volumes, partially offset by a decrease in fixed costs at Neptune Bulk Terminal.

7. S&A expense is $0.35/MT higher, due to a decrease in volumes.

8. Other Costs are $0.16/MT lower.

9. Average Netbacks are projected to be $220.63/MT for the three-month period, an increase of $6.68/MT from the previous projection.

10. All $ amounts are in USD and all volumes are in KCL metric tons.

11. The $/MT amounts may vary by $.01/MT due to rounding.

12. Once the netback results are available for each subsequent month, these results are used to recalculate the average year-to-date ("YTD") netback for each grade pool. The YTD tonnage lifted from each Producer, for each grade pool, is recalculated using the updated netbacks, to determine the positive or negative netback adjustment by Producer.