MBAC FERTILIZER CORP.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2015 and 2014 (unaudited)

Notice of no auditor review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statement have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Balance Sheets

As at September 30, 2015 and December 31, 2014 *(Unaudited and in thousands of United States dollars)*

	September 30, 2015	December 31, 2014
ASSETS		
Current		
Cash and cash equivalents	$ 702	$ –
Restricted cash *(Note 4)*	182	1,409
Accounts receivable	1	73
Inventories *(Note 5)*	1,569	4,529
Other current assets *(Note 6)*	1,887	2,256
	4,341	8,267
Non-Current		
Other long-term assets *(Note 6)*	15,707	24,329
Property, plant and equipment *(Note 7)*	251,850	390,443
Mineral properties *(Note 8)*	42,531	60,669
Total Assets	$ 314,429	$ 483,708
LIABILITIES		
Current		
Bank indebtedness	$ -	$ 1,619
Accounts payable and accrued liabilities	29,739	33,588
Debt *(Note 9)*	225,146	254,788
	254,885	289,995
Non-Current		
Other long-term liabilities	5,186	10,122
Total Liabilities	260,071	300,117
SHAREHOLDERS' EQUITY		
Share capital *(Note 10)*	271,962	312,868
Contributed surplus	8,941	17,879
Warrant reserve	15,798	10,286
Accumulated other comprehensive loss	263	(17,032)
Deficit	(242,606)	(140,410)
	54,358	183,591
Total Liabilities and Shareholders' Equity	$ 314,429	$ 483,708

General Information and Going Concern *(Note 1)*
Commitments and Contingencies *(Note 13)*

ON BEHALF OF THE BOARD:

Signed: "Anthony Cina"
Anthony Cina
Director

Signed: "Cristiano Melcher"
Cristiano Melcher
Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Statements of Operations

For the periods ended *(Unaudited and in thousands of United States dollars except for per share amounts)*

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Operating expenses				
Selling, general and administrative expenses	$ 755	$ 3,026	$ 3,109	$ 7,568
Operations care and maintenance expenses *(Note 7)*	4,715	–	17,549	–
Exploration and evaluation expenditures	–	23	–	112
	5,470	3,049	20,658	7,680
Unrealized foreign exchange gain (loss) *(Note 11)*	(26,565)	(12,262)	(44,214)	(748)
Realized foreign exchange gain (loss)	–	(28)	(120)	(1,692)
Other expense	(2,812)	280	(5,721)	(3,708)
Finance expense *(Note 12)*	(11,090)	(3,251)	(30,544)	(4,603)
Loss before income taxes	(45,937)	(18,310)	(101,257)	(18,431)
Current income tax recovery	–	–	–	–
Deferred income tax expense	281	434	938	1,275
	281	434	938	1,275
Net loss	$ (46,218)	$ (18,744)	$ (102,195)	$ (19,706)
Basic and diluted loss per share *(Note 10(b))*	$ (0.25)	$ (0.10)	$ (0.56)	$ (0.12)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Statements of Comprehensive Income

For the periods ended (*Unaudited and in thousands of United States dollars*)

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net loss	$ (46,218)	$ (18,744)	$ (102,195)	$ (19,706)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit and loss:				
Cumulative translation adjustment	(11,348)	(560)	(17,293)	9,285
Comprehensive income (loss)	$ (57,566)	$ (19,304)	$ (119,488)	$ (10,421)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Equity

For the periods ended (*Unaudited and in thousands of United States dollars except for number of shares*)

	Share capital				Accumulated other comprehensive loss		
	Number of shares	Amount	Contributed surplus	Warrant reserve		Deficit	Total equity
Balance, January 1, 2015	181,607,492	$ 312,868	$ 17,879	$ 10,286	$ (17,032)	$ (140,410)	$ 183,591
Net loss for the period	–	–	–	–	–	(102,195)	(102,195)
Other comprehensive income (net of tax):							
Cumulative translation adjustment	–	–	–	–	17,295	–	17,295
Comprehensive income (loss) for the period	–	–	–	–	17,295	(102,195)	(84,900)
Share-based payment expense	–	–	271	–	–	–	271
Exchange differences	–	(40,906)	(2,352)	(1,345)	–	–	(44,603)
Balance, September 30, 2015	**181,607,492**	**$ 271,962**	**$ 15,798**	**$ 8,941**	**$ 263**	**$ (242,605)**	**$ 54,358**
Balance, January 1, 2014	152,029,492	$ 328,865	$ 18,492	$ 5,542	$ (26,673)	$ (111,896)	$ 214,330
Net loss for the period	–	–	–	–	–	(19,706)	(19,706)
Other comprehensive loss (net of tax):							
Cumulative translation adjustment	–	–	–	–	9,285	–	9,285
Comprehensive loss (income) for the period	–	–	–	–	9,285	(19,706)	(10,421)
Share-based payment expense	–	–	785	–	–	–	785
Shares issued as equity financing, net of transaction costs	29,578,000	11,962	–	5,482	–	–	17,444
Exchange differences	–	(16,744)	(947)	(369)	–	–	(18,060)
Balance, September 30, 2014	**181,607,492**	**$ 324,083**	**$ 18,330**	**$ 10,655**	**$ (17,388)**	**$ (131,602)**	**$ 204,078**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2015 and 2014 (*Unaudited and in thousands of United States dollars*)

	September 30, 2015	September 30, 2014
Cash provided by (used in):		
Operating activities		
Net loss	$ (102,195)	$ (19,706)
Adjusting items:		
Depreciation and depletion	14,697	40
Share-based payment expense	271	785
Deferred income tax expense	938	1,275
Loss on disposition of property, plant and equipment	352	154
Loss on derecognition of CELTINS note receivable	–	2,025
Unrealized gain on derivative instruments	–	(162)
Unrealized foreign exchange (gain) loss *(Note 11)*	44,214	748
Provisions and write-offs	875	–
Non-cash finance expenses *(Note 12)*	20,516	2,697
	(20,332)	(12,144)
Net change in non-cash working capital *(Note 16)*	15,216	13,795
	(5,116)	1,651
Investing activities		
Acquisition of property, plant and equipment	(194)	(29,861)
Exploration, evaluation and mine development expenditures	–	(2,422)
Proceeds on disposition of property, plant and equipment	212	165
Change in CELTINS note receivable	–	7,971
	18	(24,147)
Financing activities		
Issuance of common shares and warrants, net of transaction costs	–	17,444
Proceeds from debt financing	15,397	38,844
Repayment of debt	(2,938)	(36,757)
Interest and fees paid on debt	(6,84)	(20,969)
Change in restricted cash *(Note 4)*	967	22,623
	6,586	21,185
Foreign currency effect on cash	833	72
Increase (decrease) in cash	2,321	(1,239)
Cash (bank indebtedness), beginning of period	(1,619)	661
Cash (bank indebtedness), end of period	$ 702	$ (578)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

1. GENERAL INFORMATION AND GOING CONCERN

MBAC Fertilizer Corp. ("MBAC" or the "Company") is a Canadian-based company engaged in the mining, production and exploration of phosphate fertilizers in the Brazilian market. The Company is focused on becoming a significant integrated producer of phosphate fertilizer and related products in the Brazilian market. The Company owns the Itafós Arraias Single Super Phosphate ("SSP") Operations which is wholly owned by the Company's subsidiary, Itafós Mineração Ltda. ("Itafós"). The production facility comprises a beneficiation plant, a sulphuric acid plant, an SSP acidulation plant and a granulation plant (the "Itafós Arraias SSP Operations").

These consolidated financial statements have been prepared on a basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company was ramping up production of granulated SSP at the Itafós Arraias SSP Operations in 2014, meeting industry specifications and making deliveries to customers. This production ramp-up was delayed due to severe financial constraints resulting in additional funding requirements to finance the working capital and debt service needs of the Company. In consultation with its senior lenders, MBAC engaged a financial advisor to conduct a strategic review process to help find a definitive solution to the Company's working capital constraints and liquidity requirements. In support of its strategic review process and its objective to preserve working capital, at the beginning of the year, MBAC put its Itafós Arraias SSP Operations on care and maintenance. Although MBAC expects that a long-term solution will be achieved in due course through the strategic process, the Company's ability to continue as a going concern is dependent on obtaining additional working capital funding in the immediate term. MBAC has determined that its working capital needs for the next twelve months exceeds the amounts available under its credit agreements. While the Company has had a successful track record in raising capital to date, there can be no assurance that it will be able to do so in the future. These conditions indicate material uncertainty that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. The Company's primary sources of funding to this point have been the issuance of equity securities, debt and the sale of products. MBAC has limited other financial resources.

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "MBC". Its registered office is at 120 Adelaide Street West, Suite 1250, Toronto, Ontario, M5H 1T1, Canada.

2. BASIS OF CONSOLIDATION AND PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

The unaudited condensed interim consolidated financial statements are presented in United States Dollars ("USD"). References herein to C$ and CAD are to the Canadian Dollar and R$ and BRL are to the Brazilian Real.

The preparation of these unaudited condensed interim consolidated financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company's accounting policies. The areas involving significant judgements and estimates have been set out in Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2014. There have been no material revisions to the nature of judgements and amount of changes in estimates of amounts reported in the Company's audited consolidated financial statements for the year ended December 31, 2014.

While assessing whether any indicators of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information include the manner in which property, plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the mineral properties and the appropriate discount rate. Reductions in price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reduction in the amount of recoverable mineral reserves and resources and/or adverse current economics can result in a write-down of the carrying amounts to the Company's mineral properties. During the three months ended March 31, 2015, the Itafós Arraias SSP Operations were placed into care and maintenance, resulting in an impairment indicator under IAS 36. The outcome of the impairment assessment on the Itafós property did not change the outcome of the impairment assessment performed as part of the December 31, 2014 annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of September 30, 2015. The board of directors of the Company approved the financial statements on November 16, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2014, with the exception of a new policy in respect of care and maintenance expenditures resulting from Itafós being placed on care and maintenance during the nine months ended September 30, 2015 (see Note 7). There was no significant impact on the Company's unaudited condensed interim consolidated financial statements as a result of new standards that became effective during 2015.

4. RESTRICTED CASH

The Company had total restricted cash of $182 (December 31, 2014 – $1,409) comprised of debt service reserve accounts. During the nine month period ended September 30, 2015, the Company's senior lenders released certain funds from the debt service reserve accounts to meet certain working capital needs.

5. INVENTORIES

	September 30, 2015	December 31, 2014
Raw materials	$ 638	$ 2,482
Work in process	38	423
Finished goods	11	303
Spare parts and supplies	882	1,321
	$ 1,569	$ 4,529

6. OTHER LONG-TERM ASSETS

	September 30, 2015	December 31, 2014
Tax credits	$ 16,009	$ 23,628
Finance lease receivable	634	1,317
Other	950	1,640
	17,593	26,585
Less: Current portion	1,886	2,256
	$ 15,707	$ 24,329

Tax credits

Other long-term assets are primarily comprised of tax credits. Tax credits consist of Brazilian state and federal taxes accumulated primarily on purchases of property, plant and equipment and can be applied to offset and potentially reimburse certain value added taxes and other taxes payable in future periods. As at September 30, 2015, the Company had tax credits of $16,009 (December 31, 2014 – $23,628) of which $326 (December 31, 2014 – $251) was included in "Other current assets".

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Plant	Machinery, equipment and other	Total
Cost				
Balance as at December 31, 2014	$ 4,009	$ 157,161	$ 258,223	$ 419,393
Additions	–	–	154	154
Disposals	–	–	(456)	(456)
Exchange differences	(1,308)	(51,439)	(83,375)	(136,122)
Balance as at September 30, 2015	**$ 2,701**	**$ 105,722**	**$ 174,546**	**$ 282,969**
Accumulated Depreciation				
Balance as at December 31, 2014	$ –	$ 11,728	$ 17,222	$ 28,950
Depreciation for the period	–	5,998	8,632	14,630
Disposals	–	–	(52)	(52)
Exchange differences	–	(5,136)	(7,273)	(12,409)
Balance as at September 30, 2015	**$ –**	**$ 12,590**	**$ 18,529**	**$ 31,119**
Net Book Value				
As at December 31, 2014	$ 4,009	$ 145,433	$ 241,001	$ 390,443
As at September 30, 2015	**$ 2,701**	**$ 93,132**	**$ 156,017**	**$ 251,850**

Prior to January 7, 2015, the Company capitalized pre-commercial production costs relating to the Itafós Arraias SSP Operations as property, plant and equipment, as these costs were incurred in the development of the Itafós Arraias SSP Operations towards commercial production. Effective January 7, 2015, the Itafós Operations was placed under care and maintenance while the Company continues to seek potential solutions under the strategic review process. The Company determined that expenditures incurred at Itafós Arraias SSP operations during the care and maintenance phase no longer satisfy the requirement to be capitalized as an asset, and accordingly are recorded as "Operations care and maintenance expenses" in the consolidated statement of operations.

As at September 30, 2015, borrowing costs of $38,027 (December 31, 2014 – $56,409) had been capitalized and are included in "Property, plant and equipment". During the nine months ended September 30, 2015, the Company capitalized borrowing costs of $nil (nine months ended September 30, 2014 – $19,516).

The Operations care and maintenance expenses of $4,715 and $17,549 for the three and nine months ended September 30, 2015 (three and nine months ended September 30, 2014 – $nil and $nil, respectively) were primarily comprised of depreciation expense of $4,326 and $14,630 for the three and nine months ended September 30, 2015.

8. MINERAL PROPERTIES

		Development costs		Exploration and evaluation costs		Accumulated Depletion		Net book value
Balance as at December 31, 2014	$	45,275	$	17,522	$	(2,128)	$	60,669
Additions		1,786		2		–		1,788
Disposals		(97)		–		–		(97)
Exchange differences		(14,812)		(5,710)		693		(19,829)
Balance as at September 30, 2015	**$**	**32,152**	**$**	**11,814**	**$**	**(1,435)**	**$**	**42,531**

9. DEBT

		September 30, 2015		December 31, 2014
Project Financing:				
FINAME Loans	$	2,256	$	3,393
Itaú Loans		61,201		76,885
IFC Loan		42,857		40,817
Mizuho Loan		14,930		19,417
Votorantim Loans		12,974		17,741
Other Loans:				
Itaú Mezzanine Loans		34,388		38,847
Working Capital Loans		52,717		54,565
Santana BNDES Loan		2,073		3,123
Alpha LLC Infraestructure - USD		1,750		–
	$	225,146[1]	$	254,788[1]

[1] *Balances include interest accruals of $14,951 (December 31, 2014 – $9,311) and are net of unamortized borrowing costs of $8,206 (December 31, 2014 – $13,518), which are included as deferred transaction costs in the carrying value of the debt, and amortized using the effective interest method.*

During 2014, the Company executed debt extension agreements with its senior lenders whereby MBAC was permitted to defer the repayment of principal and interest amounts for a period of up to two years. The senior debt extension also includes an extension of the current maturity dates of the existing working capital facilities previously provided by the senior lenders by approximately four years. The Company will not be required to replenish the debt service reserve accounts until 2016. During the nine months ended September 30, 2015, the senior lenders released certain funds from the debt service reserve accounts to meet certain working capital needs.

As at September 30, 2015 and December 31, 2014, the Company was not in compliance with certain debt covenants associated with its Project Financing and Other Loans and therefore has presented all its debt as current as there are cross-default provisions in the Company's senior debt agreements.

Working Capital Loans

Itaú Working Capital Loans

The Company has a working capital loan with Banco Itaú BBA ("Itaú") in the amount of $10.3 million (the "Itaú Nassau Loan"). This loan, denominated in USD, has a fixed interest rate of 3.48% p.a. and was scheduled to mature on March 15, 2015. During Q1 2015, this loan agreement was amended to extend the maturity date of the Itaú Nassau Loan to July 2015. During Q3 the Company was not able to settle this loan. Negotiations with the lender are continuing in connection with the Company's proposed strategic transaction.

The Company has a working capital loan with Banco Itaú BBA ("Itaú") in the amount of $2.7 million (R$8.6 million). This loan, denominated in BRL, has an interest rate of DI + 4.50% p.a. and was scheduled to mature on

April 20, 2015. During Q2, this loan agreement was amended extending its maturity to July 2015. During Q3 the Company was not able to settle this loan. Negotiations with the lender are continuing in connection with the Company's proposed strategic transaction.

During Q1 2015, the Company executed and received disbursements on new working capital loans from Itaú in the amounts of $5.3 million (R$17.0 million) and $0.8 million (R$2.7 million). The loans have an interest rate of DI + 4.50% and mature on November 20, 2020. Interest is payable quarterly beginning in July 2015, and monthly commencing September 2016 and principal is payable monthly beginning September 2016. The purpose of these loans was to refinance overdraft balances, settle bank guarantee liabilities and cover debt service requirements on other Itaú loan agreements. During Q3 the Company was not able to settle this loan. Negotiations with the lender are continuing in connection with the Company's proposed strategic transaction.

Votorantim Working Capital Loans

The Company has a working capital loan with Banco Votorantim ("Votorantim") in the amount of $1.6 million (R$5.0 million). This loan, denominated in BRL, has an interest rate of DI + 4.50% p.a. and was scheduled to mature on April 20, 2015. During Q3 the Company was not able to settle this loan. Negotiations with the lender are continuing in connection with the Company's proposed strategic transaction.

Santander Working Capital Loan

During 2014, the Company executed and received disbursements from a working capital loan with Banco Santander ("Santander") for $10.6 million (the "Santander Working Capital Loan"). This loan has an interest rate of 5.0% p.a.plus 100% CDI and was scheduled to mature on August 28, 2015. Principal is due at maturity and interest is payable semi-annually beginning in February 2015. During the quarter, the maturity date of the interest payment that was due under this facility was extended to August 21, 2015. During Q3 the Company was not able to settle this loan. Negotiations with the lender are continuing in connection with the Company's proposed strategic transaction.

Alpha LLC Loan

At the end of July 2015 the Company, through its wholly owned subsidiary MBAC Opportunities and Financing Inc. received a senior secured loan from Alpha Infrastructure LLC (Alpha LLC), amounting to $1.75 million. The loan carries an interest rate of 15% per annum, and its proceeds are intended to be used primarily to prepare the plant for a potential resumption of operations and to fund general and administrative expenses related thereto.

Security

Each of the Itaú Loans, IFC Loan, Mizuho Loan and the Votorantim Loans are secured by a first lien on (a) property, plant and equipment acquired in connection with the construction of the production facility at the Itafós Arraias SSP Operations; (b) quotas representing 100% of the equity shares of Itafós; (c) deposits in the Itafós bank accounts; and (d) mineral rights related to the project. The FINAME Loans are secured by a lien on equipment acquired in connection with funds from the FINAME lines of credit. The use of proceeds from all of these debt facilities were used to fund expenditures in respect of the development of the production facility at the Itafós Arraias SSP Operations. The Santana BNDES Loan is secured by a bank guarantee.

10. SHARE CAPITAL

(a) Authorized capital

Share capital as at September 30, 2015 was $271,962 (December 31, 2014 – $312,868). The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series. There are no preference shares issued or outstanding. As at September 30, 2015, MBAC had 181,607,492 common shares (December 31, 2014 – 181,607,492) issued and outstanding.

(b) Weighted-average number of common shares and dilutive common share equivalents

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Weighted average number of common shares	181,607,492	181,607,492	181,607,492	170,014,650
Weighted average number of dilutive share purchase options	–	–	–	–
Diluted weighted average number of common shares	181,607,492	181,607,492	181,607,492	170,014,650

11. UNREALIZED FOREIGN EXCHANGE GAIN

The functional currency of the Brazilian subsidiaries of the Company is BRL. The functional currency of all other entities is CAD and the Company's presentation currency is USD. The unrealized foreign exchange loss of $25,565 and loss of $44,214 for the three and nine months ended September 30, 2015, respectively (Q3 2014 – loss of $12,262; nine months ended September 30, 2014 – loss of $748) was primarily as a result of revaluation of long-term debt denominated in foreign currency and intercompany loans between the Company's subsidiaries. The unrealized gains and losses on the intercompany loans are recorded for accounting purposes and do not alter the economic impact for the consolidated Company.

12. FINANCE EXPENSE

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest expense and amortization of deferred transaction costs	$ (11,785)	$ (1,047)	$ (31,140)	$ (3,259)
Unrealized gain (loss) on derivatives	–	(2,346)	–	162
Other financial income (expense)	695	38	596	(1,932)
Interest income (expense)	–	104	–	426
Finance expense	$ (11,090)	$ (3,251)	$ (30,544)	$ (4,603)

Prior to January 7, 2015, the Company capitalized interest expense and amortization of deferred transaction costs relating to the Itafós Arraias SSP Operations as property, plant and equipment, as these costs were incurred in the development of the Itafós Arraias SSP Operations towards commercial production. Effective January 7, 2015, the Itafós Arraias SSP Operations has been placed under care and maintenance while the Company continues to seek potential solutions under the strategic review process. The Company determined that interest expenses and amortization of deferred transaction costs relating to the Itafós Arraias SSP Operations during the care and maintenance phase no longer satisfy the requirement to be capitalized as an asset, and accordingly are recorded as "finance expense" in the consolidated statement of operations.

13. COMMITMENTS AND CONTINGENCIES

The Company is involved in legal proceedings arising in the ordinary course of its business. Certain conditions exist as of the date the financial statements are issued that may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The impact of any resulting loss from such matters affecting these financial statements, based on the information the Company has to date, is not expected to be material with the exception of the claims noted below.

During the quarter, progress has been made with regard to the lawsuit which had been filed against Itafós in Q2 2015 by the Labour Public Ministry.

The lawsuit, which relates to a combination of a class action and individual claims from former employees for severance payments stemming from the Company's cost-cutting restructuring initiative that resulted in the Itafós Arraias Operations being put on care and maintenance,had an original value of approximately $13.1 million. This amount includes the original outstanding severance amount of approximately $1.6 million and damages of approximately $11.5 million.

MBAC has already settled 120 individual claims heard to date using a working capital facility of $0.4 million obtained from one of its senior lenders for this purpose during Q2. In addition, $0.1 million of the Company´s funds had been used to partially settle outstanding claims. During Q3, the company has negotiated further settlement agreements with an additional 89 employees and disbursed an additional $0.24 million. Once all individual claims are settled, MBAC expects to be able to significantly reduce the total amount of penalties and damages that are being claimed. No amounts have been recorded for any potential liability arising from this matter, as the Company cannot reasonably predict the likely magnitude of any potential losses.

Commitments

The Company has various cancellable operating lease agreements, whereby MBAC is required to give a notice of less than three months for the termination of these agreements. Payments in respect of these commitments are due as follows:

Within 1 year	$	124
1 to 2 years		19
2 to 3 years		–
Thereafter		–
	$	143

14. SEGMENT REPORTING

Operating segments

Operating segments were identified on the basis of internal information reviewed by the chief operating decision maker. Three segments were identified based on the geographical areas and the reporting structure. The Corporate segment is comprised of activities related to administrative offices in Canada, Brazil, Barbados and the Netherlands, the Operations segment is comprised of activities at the Itafós Arraias SSP Operations and the Development and Exploration segment is comprised of activities related to the Santana Phosphate Project and the Araxá Project. The accounting policies of the reportable segments are the same as the Company's accounting policies.

All of the Company's revenue and substantially all of the Company's non-current assets are in Brazil.

For the nine months ended September 30, 2015:

	Operations	Development & Exploration	Corporate	Total
Operating expenses				
Selling, general and administrative expenses	$ --	$ 33	$ 3,076	$ 3,109
Operations care and maintenance expenses	17,549	–	–	17,549
Exploration and evaluation expenditures	–	–	–	–
Operating loss	(17,549)	(33)	(3,076)	(20,658)
Interest expense	(55,049)	(313)	(954)	(56,316)
Other	(13,855)	(844)	(9,584)	(24,283)
Loss before income taxes	(86,453)	(1,190)	(13,614)	(101,257)
Income tax expense	–	–	938	938
Net loss	$ (86,453)	$ (1,190)	$ (14,552)	$ (102,195)
Fixed asset additions				
Additions to PP&E	$ 194	$ –	$ –	$ 194
Additions to mineral properties	$ –	$ 1,777	$ –	$ 1,777

For the nine months ended September 30, 2014:

	Operations	Development & Exploration	Corporate	Total
Operating expenses				
Selling, general and administrative expenses	$ 589	$ 42	$ 6,937	$ 7,568
Exploration and evaluation expenditures	–	112	–	112
Operating loss	(589)	(154)	(6,937)	(7,680)
Interest expense		(538)	(782)	(1,646)
Other	(4,655)	(427)	(4,023)	(9,105)
Loss before income taxes	(5,570)	(1,119)	(11,742)	(18,431)
Income tax expense	–	–	1,275	1,275
Net loss	$ (5,570)	$ (1,119)	$ (13,017)	$ (19,706)
Fixed asset additions				
Additions to PP&E	$ 66,590	$ 141	$ 41	$ 66,772
Additions to mineral properties	$ –	$ 1,600	$ –	$ 1,600

For the three months ended September 30, 2015:

	Operations	Development & Exploration	Corporate	Total
Operating expenses				
Selling, general and administrative expenses	$ –	$ –	$ 755	$ 755
Operations care and maintenance expenses	4,715	–	–	4,715
Exploration and evaluation expenditures	–	–	–	-
Operating loss	(4,715)	–	(755)	(5,470)
Interest expense	(37,596)	–	-	(37,596)
Other	-	–	(2,871)	(2,871)
Loss before income taxes	(42,311)	–	(3,626)	(45,937)
Income tax expense	–	–	281	281
Net loss	$ (42,311))	$ –	$ (1,647)	$ (46,218)
Fixed asset additions				
Additions to PP&E	$ –	$ –	$ –	$ –
Additions to mineral properties	$ –	$ 554	$ –	$ 554

For the three months ended September 30, 2014:

	Operations	Development & Exploration	Corporate	Total
Operating earnings				
Operating expenses				
Selling, general and administrative expenses	$ 542	$ 28	$ 2,456	$ 3,026
Exploration and evaluation expenditures	–	23	–	23
Operating loss	(542)	(51)	(2,456)	(3,049)
Interest expense	(188)	(211)	(201)	(600)
Other	(8,803)	(94)	(5,764)	(14,661)
Loss before income taxes	(9,533)	(356)	(8,421)	(18,310)
Income tax expense	–	–	434	434
Net loss	$ (9,9533)	$ (356)	$ (8,855)	$ (18,744)
Fixed asset additions				
Additions to PP&E	$ 25,524	$ 103	$ –	$ 25,627
Additions to mineral properties	$ –	$ 1,217	$ –	$ 1,216

15. FAIR VALUE MEASUREMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, foreign currency risk, and commodity price risk. These unaudited condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's financial instruments consist of cash and cash equivalents, bank indebtedness, current and long-term receivables, accounts payable and accrued liabilities, deferred revenue and debt. The fair values of cash and cash equivalents, current and long-term receivables, and accounts payable and accrued liabilities approximates their carrying values.

The Company recognizes transfers between the levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There were no such transfers during Q3 2015.

16. NET CHANGE IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital items provided $15,216 of cash during the nine months ended September 30, 2015 (nine months ended September 30, 2014 – $13,795). The change in non-cash working capital was primarily comprised of cash provided by debt.

17. SUBSEQUENT EVENTS

Subsequent to the quarter, MBAC has continued negotiations with an investment fund active in the fertilizer industry. The parties have mutually agreed to further extend the exclusivity period and the deadline for entering into definitive binding documentation to December 15, 2015 (see press release dated September 29, 2015). The parties have also agreed to extend the maturity date of the bridge loan which the investment fund had given the Company (the Alpha LLC Loan), from October 30, 2015 to the earlier of: (i) February 28, 2016; (ii) the closing of the recapitalization transaction which is being negotiated with the investor; or (iii) the termination of the Letter of Intent.