MBAC FERTILIZER CORP.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2016 and 2015 (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 Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation'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 March 31, 2016 and December 31, 2015 *(Unaudited and in thousands of United States dollars)*

	March 31, 2016	December 31, 2015
ASSETS		
Current		
Cash and cash equivalents	$ 35	$ 25
Restricted cash *(Note 4)*	163	146
Accounts receivable	12	3
Inventories *(Note 5)*	1,471	1,320
Other current assets *(Note 6)*	1,894	1,742
	3,575	3,236
Non-Current		
Other long-term assets *(Note 6)*	17,326	15,558
Property, plant and equipment *(Note 7)*	270,687	246,714
Mineral properties *(Note 8)*	48,376	42,921
Total Assets	$ 339,964	$ 308,429
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 36,253	$ 32,397
Debt *(Note 9)*	262,231	232,995
	298,484	265,392
Non-Current		
Other long-term liabilities	7,479	5,561
Total Liabilities	305,963	270,953
SHAREHOLDERS' EQUITY		
Share capital *(Note 10)*	279,839	262,235
Contributed surplus	16,121	15,315
Warrant reserve	9,200	8,621
Cumulative translation adjustment reserve	(9,018)	9,332
Deficit	(262,141)	(258,027)
	34,001	37,476
Total Liabilities and Shareholders' Equity	$ 339,964	$ 308,429

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

ON BEHALF OF THE BOARD:

Signed: "Cristiano Melcher"
Cristiano Melcher
Chief Executive Officer

Signed: "Rafael Rangel"
Rafael F. Rangel
Interim Chief Financial Officer

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 three months ended March 31, 2016 and 2015

(Unaudited and in thousands of United States dollars except for per share amounts)

	March 31, 2016	March 31, 2015
Operating expenses		
Selling, general and administrative expenses	$ 757	$ 960
Operations care and maintenance expenses *(Note 7)*	5,258	7,469
Operating loss	(6,015)	(8,429)
Unrealized foreign exchange gain (loss) *(Note 11)*	10,246	(19,438)
Realized foreign exchange gain (loss)	–	6
Other (expense) income	2	(2,441)
Finance income (expense) *(Note 12)*	(8,096)	(12,562)
Income (loss) before income taxes	(3,863)	(42,864)
Current income tax expense	–	–
Deferred income tax expense	251	340
	251	340
Net income (loss)	$ (4,114)	$ (43,204)
Basic and diluted net income (loss) per share *(Note 10(b))*	$ (0.02)	$ (0.24)

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 (Loss)

For the three months ended March 31, 2016 and 2015

(*Unaudited and in thousands of United States dollars*)

	March 31, 2016	March 31, 2015
Net income (loss)	$ (4,114)	$ (43,204)
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Cumulative translation adjustment	856	8,116
Comprehensive income (loss)	$ (3,258)	$ (35,088)

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

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2016 and 2015

(*Unaudited and in thousands of United States dollars except for number of shares*)

	Share capital		Contributed surplus	Warrant reserve	Cumulative translation adjustment reserve	Deficit	Total equity
	Number of shares	Amount					
Balance, January 1, 2016	181,607,492	$ 262,235	$ 15,315	$ 8,621	$ 9,332	$ (258,027)	$ 37,476
Net loss for the period	–	–	–	–	–	(4,114)	(4,114)
Other comprehensive income (net of tax):							
Cumulative translation adjustment	–	–	–	–	856	–	856
Comprehensive loss for the period	–	–	–	–	856	(4,114)	(3,258)
Share-based payment recovery	–	–	(217)	–	–	–	(217)
Exchange differences	–	17,604	1,023	579	(19,206)	–	–
Balance, March 31, 2016	181,607,492	$ 279,839	$ 16,121	$ 9,200	$ (9,018)	$ (262,141)	$ 34,001
Balance, January 1, 2015	181,607,492	$ 312,868	$ 17,879	$ 10,286	$ (17,032)	$ (140,410)	$ 183,591
Net loss for the period	–	–	–	–	–	(43,204)	(43,204)
Other comprehensive income (net of tax):							
Cumulative translation adjustment	–	–	–	–	(20,570)	–	(20,570)
Comprehensive income for the period	–	–	–	–	(20,570)	(43,204)	(63,774)
Share-based payment expense	–	–	84	–	–	–	84
Exchange differences	–	(26,315)	(1,506)	(865)	28,686	–	–
Balance, March 31, 2015	181,607,492	$ 286,553	$ 16,457	$ 9,421	$ (8,916)	$ (183,614)	$ 119,901

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 three months ended March 31, 2016 and 2015

(*Unaudited and in thousands of United States dollars*)

	March 31, 2016	March 31, 2015
Cash provided by (used in):		
Operating activities		
Net income (loss)	$ (4,114)	$ (43,204)
Adjusting items:		
Depreciation and depletion	4,012	5,341
Share-based payment (recovery) expense	(217)	84
Deferred income tax expense	251	340
Loss on disposition of property, plant and equipment	–	170
Unrealized foreign exchange (gain) loss *(Note 11)*	(10,246)	19,438
Provisions and write-offs	118	644
Other financial expense *(Note 12)*	8,096	12,049
	(2,100)	(5,138)
Net change in non-cash working capital *(Note 16)*	1,558	1,930
	(542)	(3,208)
Investing activities		
Acquisition of property, plant and equipment	–	(194)
	–	(194)
Financing activities		
Proceeds from debt financing *(Note 9)*	575	8,138
Repayment of debt	–	(199)
Interest and fees paid on debt	–	(3,127)
Change in restricted cash	–	403
	575	5,215
Foreign currency effect on cash	(23)	(52)
Increase in cash	10	1,761
Cash, beginning of period	25	(1,619)
Cash, end of period	$ 35	$ 142

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 operates 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. As of that date, the Company's current liabilities exceeded its current assets, and the Company had no sources of operating cash flow and does not have sufficient cash on-hand to fund overhead administration expenditures or future operations. Additionally, the Company is not in compliance with certain debt covenants associated with its Project Financing Loans, resulting in all debt being classified current due to the ability of the lender to request repayment of the debt on demand.

Primarily in response to market conditions and as a means to preserve working capital during the strategic review process described below, the Company's Itafós Arraias SSP Operation was put into care and maintenance mode in the beginning of 2015. The Company continued through the first half of 2015 to conduct a strategic review process to help find a definitive solution to the Company's working capital constraints and liquidity requirements. Options that were considered in the course of the strategic review process included, but were not limited to, securing a strategic partner, the sale of the Company or its assets as well as other potential value-maximizing transactions. In July 2015, the Company entered into a non-binding offer with an investment fund active in the fertilizer industry. While the transaction contemplated by the non-binding offer was not completed, the investment fund extended to the Company a senior secured bridge loan. The Company has drawn down on the bridge loan during 2015 for working capital needs during the process. The bridge loan has been the primary source of funding during Q1 2016 for the Company and it has limited other financial resources. Although MBAC believes that a long-term solution will be achieved in due course, the Company's ability to continue as a going concern is dependent on obtaining additional working capital funding in the immediate term and restructuring the company's debt and other liabilities pursuant to the terms of the support agreement entered into with the investment fund (the "Support Agreement"). The Company is currently in the process of initiating a recapitalization and restructuring process in accordance with the provisions of the Companies' Creditors Arrangement Act (CCAA) in Canada and a restructuring transaction to be implemented under an Extrajudicial Restructuring Proceeding in Brazil, pursuant to the terms of the Support Agreement. Reference to this process is made in note 17. On completion of this process, there would be significant dilution to the holdings of existing shareholders. The success of the recapitalization and restructuring process is conditional upon, among other things, creditor and court approval. These circumstances 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.

These 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 realize its assets and discharge its liabilities in the normal course of business. 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". On April 14, 2016, the TSX announced that the Company's common shares and share purchase warrants would be delisted from the TSX effective May 13, 2016. Subsequently, TSX announced that the scheduled delisting of the common share and warrants of the Company has been extended to June 10, 2016. On May 9th, MBAC´s listing application was submitted to the TSXV, and is currently under review. There can be no assurance that a listing on the TSXV, or another exchange, will be obtained before MBAC is delisted from the TSX.

MBAC's registered office is at 1 Dundas Street West, Suite 2500, Toronto, Ontario, M5G 123, 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, 2015.

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 judgements 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, 2015. 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, 2015.

During the period ended March 31, 2015, the Itafós property was 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, 2015 annual financial statements, and there are no other changes in the key estimates and judgements to note in these unaudited condensed interim financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of June 2, 2016, the date the board of directors of the Company approved the financial statements.

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, 2015. 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 2016.

4. RESTRICTED CASH

The Company had restricted cash of $163 (December 31, 2015 – $146) comprised of debt service reserve accounts.

5. INVENTORIES

	March 31, 2016	December 31, 2015
Raw materials	$ 721	$ 648
Work in process	42	49
Spare parts and supplies	975	863
	1,738	1,560
Inventory Allowance	(267)	(240)
	$ 1,471	$ 1,320

6. OTHER LONG-TERM ASSETS

	March 31, 2016	December 31, 2015
Tax credits	$ 17,321	$ 15,556
Finance lease receivable	500	506
Other	1,399	1,238
	19,220	17,300
Less: Current portion	1,894	1,742
	$ 17,326	$ 15,558

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 March 31, 2016, the Company had tax credits of $17,321 (December 31, 2015 – $15,556) of which $362 (December 31, 2015 – $325) 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, 2015	$ 2,689	$ 105,218	$ 174,313	$ 282,220
Exchange differences	312	12,212	19,321	31,845
Balance as at March 31, 2016	$ 3,001	$ 117,430	$ 193,634	$ 314,065
Accumulated Depreciation				
Balance as at December 31, 2015	$ –	$ 14,121	$ 21,385	$ 35,506
Depreciation for the period	–	1,610	2,402	4,012
Exchange differences	–	1,788	2,072	3,860
Balance as at March 31, 2016	$ –	$ 17,519	$ 25,859	$ 43,378
Net Book Value				
As at December 31, 2015	$ 2,689	$ 91,097	$ 152,928	$ 246,714
As at March 31, 2016	$ 3,001	$ 99,911	$ 167,775	$ 270,687

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 “Idle production costs” included in Operations care and Maintenance expenses in the consolidated statement of operations.

The Operations care and maintenance expenses of $5,258 for the quarter ended March 31, 2016 (quarter ended March 31, 2015 – $7,469) was primarily comprised of depreciation expense and salaries & wages.

8. MINERAL PROPERTIES

		Development costs		Exploration and evaluation costs		Accumulated Depletion		Net book value
Balance as at December 31, 2015	$	32,590	$	11,759	$	(1,428)	$	42,921
Additions		–		481		–		481
Exchange differences		3,780		1,360		(166)		4,974
Balance as at March 31, 2016	$	36,370	$	13,600	$	(1,594)	$	48,376

9. DEBT

		March 31, 2016		December 31, 2015
Project Financing:				
FINAME Loans	$	2,659	$	2,299
Itaú Loans		71,845		62,037
IFC Loan		45,311		44,606
Mizuho Loan		18,169		15,578
Votorantim Loans		14,908		12,913
Other Loans:				
Itaú Mezzanine Loans		44,090		36,660
Working Capital Loans		65,249		58,902
	$	262,231 [1]	$	232,995 [1]

[1] Balances include interest accruals and are net of unamortized borrowing costs, which are included as deferred transaction costs in the carrying value of the debt, and amortized using the effective interest method.

In October 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. During 2015, the senior lenders released certain funds from the debt service reserve accounts to meet certain working capital needs.

As at March 31, 2016 and December 31, 2015, the Company was not in compliance with certain debt covenants associated with its Project Financing Loans and therefore has presented all its debt as current.

The IFC loan was purchased by Zaff LLC during Q4 2015. Subsequent to the end of Q1 2016, the FINAME loan, Itau loan, Mizuho loan, Votorantim loan, Itau Mezzanine working capital loan, Votorantim working capital loan, Santana BNDES loans were purchased by Zaff LLC. No financial terms were amended as part of these assignments.

Working Capital Loans

Modal Working Capital Loan

During 2015, the Company settled its two existing Modal working capital loans and entered into a new working capital loan with Modal for $6.1 million (R$16.2 million). This loan had an interest rate of 0.75% per month + DI and was scheduled to mature on March 2, 2015. Principal was due at maturity and interest was payable monthly beginning in May 2014. The Company extended the maturity date of the loan to August 10, 2015, and the interests were capitalized. At March 31, 2016 the loan amount is $5.1 million (R$17.9 million). The Company was not able to settle this loan.

Zaff LLC (formerly Alpha Infrastructure LLC) Working Capital Loan

During 2015, the Company, through its wholly owned subsidiary MBAC Opportunities and Financing, Inc., received senior secured loans amounting to $2.8 million from Zaff LLC (formerly known as Alpha Infrastructure LLC). The loans carry an interest rate of 15% per annum. The proceeds of the loans were primarily used to prepare the Itafós plant for a potential resumption of operations and fund general/administrative expenses related to that preparation Similar to 2015, the proceeds of the funds were used to prepare the plant for the potential resumption of operations and to fund general/administrative expenses related to the potential reorganization.

Security

As at March 31, 2016, each of the Itaú Loans, IFC Loan, Mizuho Loan, Votorantim Loans, Itaú Working Capital Loans 3 and Votorantim Working Capital Loans 3 were 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; (d) mineral rights related to the project; and (e) first lien on the shares and mineral rights of MBAC Fertilizantes Ltda. (the subsidiary company that holds the Santana Phosphate Project in the State of Pará, Brazil). 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 Santander Loan is secured by a second lien on the mineral rights and assets of Itafós and by a first lien on the shares and mineral rights of the subsidiary company that holds the Company's rare earth oxides/niobium/phosphate project (Araxá Project). The other Working Capital Loans are secured by a bank guarantee.

10. SHARE CAPITAL

(a) Authorized capital

Share capital as at March 31, 2016 was $279,839 (December 31, 2015 – $262,235). 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 March 31, 2016, MBAC had 181,607,492 common shares (December 31, 2015 – 181,607,492) issued and outstanding.

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

	Three months ended	
	March 31, 2016	March 31, 2015
Weighted average number of common shares	181,607,492	181,607,492
Weighted average number of dilutive share purchase options	–	–
Diluted weighted average number of common shares	181,607,492	181,607,492

11. UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)

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 exchange gain of $10,246 for Q1 2016 (Q1 2015 – loss of $19,438) was primarily comprised of the unrealized gain resulting from revaluation of long-term debt denominated in foreign currency and inter-company loans between the Company's subsidiaries. The unrealized losses on the intercompany loans are recorded for accounting purposes and do not create an economic impact for the consolidated Company.

12. FINANCE EXPENSE

	Three months ended	
	March 31, 2016	March 31, 2015
Interest expense and amortization of deferred transaction costs	$ (8,047)	$ (12,531)
Other financial expense	(50)	(46)
Interest income	1	15
Finance expense	$ (8,096)	$ (12,562)

Interest expense and amortization in Q1 2016 of $8,047 (Q1 2015 – $12,531) was primarily related to interest incurred on debt, trade payables and bank indebtedness. Other financial expense, net of interest income for Q1

2016 was $49 (Q1 2015 – $31) was primarily related to financial taxes and fees paid on amendments to loan agreements and financial expenses incurred.

13. COMMITMENTS AND CONTINGENCIES

The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions is not expected to, in the opinion of management, materially affect MBAC's financial position, results of operations or cash flows. Based on the Company's knowledge and assessment of events as at March 31, 2016, the Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse effect.

The Company has accruals in relation to labour and other claims that have been made. The ultimate outcome of these claims is uncertain at the current time and management is defending its position in relation to each case. 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.

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 Q1 2016:

	Operations	Development & Exploration	Corporate	Total
Operating earnings				
Operating expenses				
Selling, general and administrative expenses	$ 446	$ 25	$ 286	$ 757
Operations care and maintenance expenses	5,258	–	–	5,258
Operating loss	(5,704)	(25)	(286)	(6,015)
Unrealized and realized foreign exchange loss	6,423	9	3,814	10,246
Other income (expense)	4	(2)	–	2
Finance expense	(8,877)	(286)	1,067	(8,096)
Income (loss) before income taxes	(8,154)	(304)	4,595	(3,863)
Income tax expense	–	–	251	251
Net income (loss)	$ (8,154)	$ (304)	$ 4,344	$ (4,114)

For Q1 2015:

	Operations	Development & Exploration	Corporate	Total
Operating earnings				
Operating expenses				
Selling, general and administrative expenses	$ 406	$ 22	$ 532	$ 960
Operations care and maintenance expenses	7,469	–	–	7,469
Operating loss	(7,875)	(22)	(532)	(8,429)
Unrealized and realized foreign exchange	(12,202)	–	(7,230)	(19,432)
Other expense	(2,435)	(3)	(3)	(2,441)
Finance expense	(13,747)	(600)	1,785	(12,562)
Income (loss) before income taxes	(36,259)	(625)	(5,980)	(42,864)
Income tax expense	–	–	340	340
Net income (loss)	$ (36,259)	$ (625)	$ (6,320)	$ (43,204)

15. FAIR VALUE MEASUREMENT AND RISK FACTORS

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, 2015.

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, current and long-term receivables, accounts payable and accrued liabilities 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 Q1 2016.

16. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital items:

	March 31, 2016	March 31, 2015
Accounts receivable	$ (8)	$ (10)
Other assets	138	1,839
Accounts payable and accrued liabilities	(769)	2,077
Debt	2,309	(854)
Deferred revenue	–	126
Other liabilities	(112)	(1,248)
	$ 1,558	$ 1,930

17. SUBSEQUENT EVENTS

On April 5, 2016, the Company entered into a support agreement with Zaff (the "Support Agreement"), the investment fund active in the fertilizer industry, which has previously provided bridge financing to the Company, to give effect to a recapitalization of the Company. Under the agreement, the Company has agreed to pursue the completion of a recapitalization of the Company pursuant to a plan of compromise arrangement under the Companies' Creditors Arrangement Act (Canada) and a parallel extrajudicial restructuring proceeding in Brazil under The Bankruptcy Law (11,101/2005), (the "Brazil Proceeding"). Per the terms of the Support Agreement, Zaff has acquired substantially all of the outstanding secured and guaranteed debt of the Company and its Brazilian subsidiaries, as well as certain outstanding unsecured debts of the Company and of the Company's Brazilian subsidiaries that are not guaranteed by the Company. Under the Canadian restructuring unsecured creditors of the Company will receive either a percentage of their claim in cash or, in the alternative, a combination of (i) restructured debt of MBAC's primary operating subsidiary or (if elected by the applicable creditor) restructured debt of MBAC; and (ii) common shares of MBAC or (if elected by the applicable creditor) share purchase warrants of an MBAC subsidiary exercisable for common shares of MBAC. As a result of the Brazilian Proceeding, certain secured and unsecured creditors of the Brazilian subsidiaries of the Company will receive either cash or, in the alternative, a combination of (i) restructured debt of the respective MBAC Brazilian subsidiary; and (ii) share purchase warrants exercisable for preferred shares of the respective MBAC Brazilian subsidiary. Upon completion of all transactions contemplated by the Support Agreement, Zaff will receive securities representing a controlling interest in the common equity of reorganized MBAC in exchange for the acquired Debt and the interim working capital financing that has been provided or will be provided to the Company. Subject to certain conditions, the investment company will fund the Company's funding requirements during the term of the Support Agreement, up to a maximum of $5 million. Additionally, MBAC will indirectly acquire all of the shares of GB Minerals Ltd. ("GBL") beneficially held by Zaff in return for common shares of MBAC at a ratio of 2.5 shares of MBAC for each share of GBL so acquired.

Subsequent to Q1 2016, the Company received additional senior secured loans amounting to $1.4 million from Zaff LLC. The total balance owed under that arrangement is $4.8 million.

The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "MBC". On April 14, 2016, the TSX announced that the Company's common shares and share purchase warrants would be delisted from the TSX effective May 13, 2016. Subsequently, TSX announced that the scheduled delisting of the common share and warrants of the company has been extended to June 10, 2016. On May 9th, MBAC's listing application was submitted to the TSXV, and is currently under review. There can be no assurance that a listing on the TSXV, or another exchange, will be obtained before MBAC is delisted from the TSX.