



**Unaudited Interim Consolidated Financial Statements for
the Three Months Ended October 31, 2010**

Notice of No Auditor Review of Interim Financial Statements

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

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

December 8, 2010

MBAC FERTILIZER CORP.**Interim Consolidated Balance Sheets**

As at October 31, 2010 and July 31, 2010 (In thousands of Canadian dollars)

	October 31, 2010	July 31, 2010
ASSETS		
Current		
Cash	\$ 57,591	\$ 63,349
Accounts receivable	2,319	773
Inventories (Note 3)	1,789	1,450
Other current assets	495	576
	62,194	66,148
Investments (Note 4)	214	564
Property, plant and equipment (Note 5)	11,279	9,898
Mineral properties (Note 6.)	63,457	60,704
	\$ 137,144	\$ 137,314
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,952	\$ 3,175
Deferred revenue	187	188
	2,139	3,363
Future income taxes (Note 7)	15,811	15,254
Asset retirement obligation	52	51
	18,002	18,668
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	139,731	139,731
Contributed surplus	15,649	14,264
Accumulated other comprehensive income	3,438	2,176
Deficit	(39,676)	(37,525)
	119,142	118,646
	\$ 137,144	\$ 137,314

Commitments (Note 10)

ON BEHALF OF THE BOARD:

"Peter Marrone"

Peter Marrone
 Director

"Antenor Silva Jr."

Antenor Silva Jr.
 Director

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

MBAC FERTILIZER CORP.**Interim Consolidated Statements of Operations**

For the three-month periods ended (In thousands of Canadian dollars except for per share amounts)

	October 31	
	2010	2009
Sales	\$ 2,262	\$ 967
Cost of sales	892	681
Gross profit	1,370	286
Operating expenses		
Selling, general and administrative expenses	2,694	1,646
Stock-based compensation (Note 9)	1,385	5,802
	4,079	7,448
Operating loss	(2,709)	(7,162)
Foreign exchange gain (loss)	(12)	498
Interest income	106	31
Other income	21	21
Realized gain on sale of available-for-sale securities (Note 4)	642	-
Loss before income taxes	(1,952)	(6,612)
Current income taxes (Note 7)	-	42
Future income tax expense (recovery) (Note 7)	199	(24)
	199	18
Net loss	\$ (2,151)	\$ (6,630)
Basic and diluted loss per share (Note 8(b))	\$ (0.03)	\$ (0.13)

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

MBAC FERTILIZER CORP.**Interim Consolidated Statements of Comprehensive Income**

For the three-month periods ended (In thousands of Canadian dollars)

	October 31	
	2010	2009
Net loss	\$ (2,151)	\$ (6,630)
Other comprehensive income		
Unrealized gain (loss) on available-for-sale investment, net of taxes (Note 4)	(173)	149
Unrealized gain on translation of self-sustaining foreign operations	1,435	2,065
	1,262	2,214
Comprehensive loss	\$ (889)	\$ (4,416)

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

MBAC FERTILIZER CORP.**Interim Consolidated Statements of Shareholders' Equity**

For the periods ended (In thousands of Canadian dollars except for number of shares)

	October 31, 2010	July 31, 2010
Common shares (in shares)		
Balance, beginning	72,689,336	11,856,256
Shares issued as equity financing, net of costs	-	4,538,500
Conversion of Founders' special warrants	-	462,375
Shares issued as compensation	-	65,000
Balance, FinCO prior to reverse takeover <i>(Note 1)</i>	72,689,336	16,922,131
Pursuant to the acquisition of FinCO <i>(Note 1)</i>	-	(16,922,131)
Outstanding shares of the Company prior to acquisition <i>(Note 1)</i>	-	31,607,361
Exchange of shares on reverse takeover <i>(Note 1)</i>	-	1,057,633,188
Share consolidation under amalgamation agreement <i>(Note 1)</i>	-	(1,016,624,546)
Stock options exercised	-	73,333
	72,689,336	72,689,336
Common shares		
Balance, beginning	\$ 139,731	\$ 86,226
Shares issued as equity financing, net of costs	-	53,442
Reverse takeover transaction costs	-	(356)
Shares issued as compensation	-	261
Stock options exercised	-	158
	139,731	139,731
Contributed surplus		
Balance, beginning	14,264	1,979
Stock-based compensation expense for the period <i>(Note 9)</i>	1,385	12,285
Options assumed on reverse takeover <i>(Note 1)</i>	-	48
Transfer on the exercise of stock options <i>(Note 9)</i>	-	(48)
	15,649	14,264
Deficit		
Balance, beginning	(37,525)	(1,939)
Net loss	(2,151)	(36,130)
Reverse takeover transfer of legal parent share capital	-	544
Balance, ending	(39,676)	(37,525)
Accumulated other comprehensive income	3,438	2,176
	(36,238)	(35,349)
Total shareholders' equity	\$ 119,142	\$ 118,646

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

MBAC FERTILIZER CORP.**Interim Consolidated Statements of Cash Flows**

For the three-month periods ended (In thousands of Canadian dollars)

	October 31	
	2010	2009
Cash provided by (used in):		
Operating activities		
Net loss	\$ (2,151)	\$ (6,630)
Add (deduct) items not affecting cash:		
Depreciation and depletion	162	72
Shares issued as compensation, including stock options	1,385	6,063
Future income tax expense (recovery)	199	(24)
Gain on disposal of property, plant and equipment	-	(21)
Foreign exchange loss (gain)	12	(498)
Gain on sale of available-for-sale securities	(642)	-
	(1,035)	(1,038)
Net change in non-cash working capital (Note 11(a))	(2,964)	(754)
	(3,999)	(1,792)
Investing activities		
Acquisition of property, plant and equipment	(1,212)	(995)
Exploration, evaluation and mine development expenditures	(1,276)	(1,434)
Proceeds on disposition of property, plant and equipment	-	62
Investments	-	(277)
Proceeds on sale of available-for-sale securities (Note 4)	786	-
	(1,702)	(2,644)
Financing activities		
	-	-
Foreign currency effect on cash	(57)	82
Decrease in cash	(5,758)	(4,354)
Cash, beginning	63,349	40,703
Cash, ending	\$ 57,591	\$ 36,349

Supplementary cash flow information (Note 11)

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

MBAC FERTILIZER CORP.

Notes to Interim Consolidated Financial Statements

For the three-month period ended October 31, 2010

(In thousands of Canadian Dollars unless otherwise noted)

1. BASIS OF CONSOLIDATION AND PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the assets, liabilities and operations of MBAC Fertilizer Corp. ("MBAC" or the "Company") and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated.

MBAC is a Toronto-based company engaged in the mining, production and exploration of phosphate and potash fertilizer in the Brazilian market. In October 2008, MBAC indirectly acquired all of the quotas of Itafós Mineração Ltda. ("Itafós"), which holds a 100% interest in the Itafós phosphate mine and related infrastructure in Brazil.

The Company's sales are subject to quarterly variances due to the seasonality of the Company's production cycle and customers' purchasing cycles impacted by the seasonal nature of the fertilizer business in Brazil. The first and last quarter of each fiscal year for the Company historically generate the most sales, offsetting lower sales during the second and third quarters of the fiscal year.

On December 24, 2009 the Company completed the acquisition of all of the outstanding common shares of MBAC Opportunities and Financing Inc. ("FinCO"), pursuant to a reverse takeover, in exchange for common shares of the Company. These interim consolidated financial statements of MBAC for the three-month period ended October 31, 2010 reflect the assets, liabilities and results of operations of FinCO, the legal subsidiary, prior to the acquisition and the consolidated assets, liabilities and results of operations of the Company and FinCO subsequent to the acquisition.

References herein to R\$ are to Brazilian Reais.

2. SIGNIFICANT ACCOUNTING POLICIES

Future accounting changes based on recent accounting pronouncements

CICA Section 1582 - Business Combinations, which replaces Section 1581 - Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The impact of implementation of this standard will not be material to the Company's consolidated financial statements.

CICA Section 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interests, together replace Section 1600 - Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The impact of implementation of this standard is not expected to be material to the Company's consolidated financial statements.

Economic dependence

The Company earns significant sales revenue from two (2) customers in Brazil. During the quarter \$973 (43%) and \$882 (39%) of revenue was earned from each of these two (2) customers (Q1 2010 - \$483 (50%) and \$309 (32%) respectively).

MBAC FERTILIZER CORP.
Notes to Interim Consolidated Financial Statements

For the three-month period ended October 31, 2010
(In thousands of Canadian Dollars unless otherwise noted)

3. INVENTORIES

	October 31, 2010	July 31, 2010
Raw materials	\$ 64	\$ 12
Phosphate held in finished goods stockpiles	1,569	1,359
Spare parts and other supplies	156	79
	\$ 1,789	\$ 1,450

4. INVESTMENTS

Available-for-sale investments	October 31, 2010			July 31, 2010	
	Cost	Fair value	Cumulative amount in other comprehensive income	Fair value	Cumulative amount in other comprehensive income
Redstone Resources Ltd.					
Common shares	\$ -	-	\$ -	\$ 485	\$ 341
Warrants	14	214	200	79	65
	\$ 14	214	\$ 200	\$ 564	\$ 406

During the quarter, the Company sold 2,000,000 common shares of Redstone Resources Ltd. for proceeds of \$786 and realized gain of \$642.

The warrants presented above are classified as Level 1 instruments as their fair value is obtained from unadjusted quoted prices from an active market.

5. PROPERTY, PLANT AND EQUIPMENT

	October 31, 2010			July 31, 2010		
	Cost	Accumulated Amortization	Net book value	Cost	Accumulated Amortization	Net book value
Property, plant and equipment	4,810	(540)	4,270	4,506	(444)	4,062
Cost of non-depreciable items:						
Land	3,453	-	3,453	3,367	-	3,367
Assets under construction	3,556	-	3,556	2,469	-	2,469
	\$ 11,819	(540)	\$ 11,279	\$ 10,342	(444)	\$ 9,898

MBAC FERTILIZER CORP.
Notes to Interim Consolidated Financial Statements

For the three-month period ended October 31, 2010
(In thousands of Canadian Dollars unless otherwise noted)

6. MINERAL PROPERTIES

	October 31, 2010			July 31, 2010		
	Cost	Accumulated Depletion	Net book value	Cost	Accumulated Depletion	Net book value
Depletable producing property						
Itafós project	\$ 61,871	(172)	\$ 61,699	\$ 59,716	(88)	\$ 59,628
Exploration properties						
Coastal potash project	805	-	805	710	-	710
Santana phosphate project	327	-	327	88	-	88
Carmo phosphate project	234	-	234	59	-	59
Regional phosphate project	227	-	227	171	-	171
Other projects	165	-	165	48	-	48
	\$ 63,629	(172)	\$ 63,457	\$ 60,792	(88)	\$ 60,704

7. INCOME TAXES

The following table reconciles the statutory rate with the effective income tax rate in these financial statements:

	October 31	
	2010	2009
Combined Canadian federal and provincial statutory tax rate	29.40 %	33.00 %
Current and future tax rate differential	(3.84)	(0.30)
Difference in foreign tax rates	0.82	-
Permanent differences	(10.96)	(30.70)
Change in valuation allowance	(25.68)	(2.30)
Effective tax rate	(10.26)%	(0.30)%
Income tax expense is represented by		
Current income tax expense	\$ -	\$ 42
Future income tax expense (recovery)	199	(24)
Net income tax expense (recovery)	\$ 199	\$ 18

Notes to Interim Consolidated Financial Statements

For the three-month period ended October 31, 2010
(In thousands of Canadian Dollars unless otherwise noted)

8. SHARE CAPITAL

(a) Authorized capital

The Company is authorized to issue unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series.

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

	October 31	
	2010	2009
Weighted average number of common shares	72,689,336	49,671,900
Diluted weighted average number of common shares	72,689,336	49,671,900

The dilutive effect of 7,190,459 share purchase options has not been included in the calculation of the weighted average number of common shares as their impact would be anti-dilutive.

9. STOCK-BASED COMPENSATION

During the period, the Company issued 66,909 share purchase options. The fair value of these options has been determined to be \$68. In addition, during the quarter the Company recognized a total of \$1,385 (October 31, 2009 - \$5,802) in compensation expense and a corresponding increase in contributed surplus. Under the Stock Option Plan, no stock options to purchase common shares were available for issuance as at October 31, 2010. Subsequent to the quarter end, the shareholders of the Company authorized the issuance of up to 1,223,849 share purchase options.

The following is a summary of the issued share purchase options to acquire common shares as at the period end and the changes thereof during the period:

	October 31			
	2010		2009	
	Number of options	Weighted average exercise price (Cdn\$)	Number of options	Weighted average exercise price (Cdn\$)
Outstanding, beginning	7,123,550	\$ 2.69	-	\$ -
Granted	66,909	2.40	4,540,671	2.40
Outstanding, ending	7,190,459	\$ 2.69	4,540,671	\$ 2.40
Exercisable	4,587,961	\$ 2.53	2,476,719	\$ 2.40

The share purchase options issued during the quarter were recorded using the fair value based method of accounting whereby the fair value of the share purchase options were estimated at the time of grant using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	0 %
Annualized expected price volatility	47 %
Risk-free interest rate	1.79 %
Expected life	5 years

MBAC FERTILIZER CORP.**Notes to Interim Consolidated Financial Statements**

For the three-month period ended October 31, 2010
(In thousands of Canadian Dollars unless otherwise noted)

10. COMMITMENTS

At October 31, 2010, the Company has future minimum annual operating lease commitments in connection with its leased office spaces, certain communication equipment and with the implementation of an integrated IT system, as follows:

2012	\$	376
2013		220
2014		156
2015		150
2016 and thereafter		73
	\$	975

11. SUPPLEMENTARY CASH FLOW INFORMATION**(a) Net change in non-cash working capital items**

	October 31	
	2010	2009
Accounts receivable	\$ (1,486)	\$ (762)
Inventories	(293)	252
Other current assets	94	(29)
Accounts payable and accrued liabilities	(1,273)	23
Deferred revenue	(6)	(238)
	\$ (2,964)	\$ (754)

(b) Interest and income taxes paid

	October 31	
	2010	2009
Interest paid during the period	\$ 38	\$ 7
Income taxes paid during the period	\$ -	\$ 54

12. COMPARATIVE FIGURES

Certain of the prior period's figures have been reclassified to conform with the current period's presentation.