



MBAC Opportunities and Financing Inc.

Consolidated Financial Statements

July 31, 2009

November 24, 2009

Auditors' Report

To the Shareholders of MBAC Opportunities and Financing Inc.

We have audited the consolidated balance sheet of MBAC Opportunities and Financing Inc. (the Company) as at July 31, 2009 and the consolidated statements of operations and deficit, cash flows and comprehensive loss for the period from incorporation on July 9, 2008 to July 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at July 31, 2009 and the results of its operations and its cash flows for the period from incorporation on July 9, 2008 to July 31, 2009 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants
Toronto, Canada

MBAC Opportunities and Financing Inc.

Consolidated Balance Sheet

July 31, 2009

(In thousands of Canadian dollars)

Assets

Current		
Cash	\$	40,703
Accounts receivable		72
Inventories (Note 4)		1,372
Other current assets		202
		<hr/>
		42,349
Pyrite asset (Note 5)		11,910
Investments (Note 6)		284
Property, plant and equipment (Note 7)		51,016
		<hr/>
	\$	105,559

Liabilities

Current		
Accounts payable and accrued liabilities	\$	1,499
Deferred revenue		433
Current portion of finance lease obligations (Note 7)		47
		<hr/>
		1,979
Long-term finance lease obligation (Note 7)		13
Future income taxes (Note 8)		15,983
Asset retirement obligation (Note 9)		50
		<hr/>
		18,025

Shareholders' Equity

Share capital (Note 10(a))		86,226
Contributed surplus (Note 10(b))		1,979
Accumulated other comprehensive income		1,268
Deficit		(1,939)
		<hr/>
		87,534
		<hr/>
	\$	105,559

Commitments and subsequent events (Notes 13 and 15)

ON BEHALF OF THE BOARD:

Peter Marrone
Chairman

Antenor Silva
President

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

MBAC Opportunities and Financing Inc.

Consolidated Statement of Operations and Deficit

Period from incorporation on July 9, 2008 to July 31, 2009

(In thousands of Canadian dollars)

Sales	\$	867
Cost of sales		
Cost of goods sold, excluding depreciation		777
Depreciation		39
		816
Gross profit		51
Operating expenses		
Depreciation		79
Selling, general and administrative expenses		2,480
		2,559
Operating loss		(2,508)
Foreign exchange gain		51
Interest income, net		641
Loss on disposal of property, plant and equipment		(84)
Loss for the period before income taxes		(1,900)
Current income taxes (Note 8)		79
Future income tax recovery (Note 8)		(40)
		39
Net loss for the period		(1,939)
Retained earnings, beginning of period		-
Deficit, end of period	\$	(1,939)
Basic and diluted loss per share (Note 10(d))	\$	(0.30)

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

MBAC Opportunities and Financing Inc.

Consolidated Statement of Cash Flows

Period from incorporation on July 9, 2008 to July 31, 2009

(In thousands of Canadian dollars)

Cash provided by (used in):

Operating activities

Net loss for the period	\$	(1,939)
Add (deduct) items not affecting cash:		
Depreciation		118
Shares issued as compensation		20
Future income tax recovery		(40)
Loss on disposal of property, plant and equipment		84
Foreign exchange gain		(51)
		(1,808)
Net change in non-cash working capital (Note 14(a))		1,423
Cash used in operating activities		(385)

Investing activities

Acquisition of subsidiary, including transaction costs of \$1,676 and net of cash acquired of \$35 (Note 3)		(5,636)
Purchase of pyrite asset		(11,910)
Acquisition of property, plant and equipment		(1,825)
Exploration and evaluation expenditures		(2,470)
Proceeds on disposition of property, plant and equipment		229
Investments (Note 6)		(284)
Cash used in investing activities		(21,896)

Financing activities

Issuance of common shares		65,458
Shares purchased for cancellation		(2,449)
Shareholder loan for acquisition of subsidiary		3,995
Repayment of shareholder loan for acquisition of subsidiary		(3,995)
Repayment of finance lease obligation		(50)
Cash provided by financing activities		62,959

Foreign currency effect on cash	25
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Increase in cash	40,703
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Cash, beginning of period	-
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Cash, end of period	\$ 40,703
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Supplementary cash flow information (Note 14)

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

MBAC Opportunities and Financing Inc.

Consolidated Statement of Comprehensive Loss

Period from incorporation on July 9, 2008 to July 31, 2009

(In thousands of Canadian dollars)

Net loss for the period	\$	(1,939)
Other comprehensive income:		
Unrealized gain on translation of self-sustaining foreign operations		1,268
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Comprehensive loss for the period	\$	(671)

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

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

1. Description of the business

MBAC Opportunities and Financing Inc. ("MBAC" or the "Company") was incorporated on July 9, 2008 under the laws of Canada.

MBAC is a Toronto-based company engaged in the mining and production 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. MBAC has also recently expanded its exploration portfolio in Brazil with the acquisition of two potash exploration projects and one additional phosphate exploration project.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars. References herein to US\$ are to United States dollars and R\$ are to the Brazilian Real.

The significant accounting policies are summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit with banks and highly liquid short-term investments with terms of less than 90 days.

Basis of consolidation

The consolidated financial statements include the accounts of MBAC together with its wholly-owned subsidiaries, MBAC Opportunities Inc., MBAC International and Finance B.V., MBAC International Holdings Cooperatie U.A., MBAC Brazil Holdings B.V., MBAC Brazil Holdings II B.V., Mineração Itacira Ltda. and Itafós Mineração Ltda. Intercompany balances and transactions have been eliminated.

Measurement uncertainty

Management has made estimates and assumptions that affect the carrying value of assets and liabilities, the disclosure of contingent assets and liabilities at each financial statement date, and the reported amounts of revenues and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to the fair value of assets acquired and liabilities assumed in business combinations, unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts.

The recovery of both the costs of acquiring mineral property and the related exploration and development expenditures which depend on the existence of economically recoverable reserves and resources, the ability of the Company to obtain the financing necessary to complete exploration and development activities, and the future profitable production of phosphate and related products are all subject to significant risks and uncertainties.

Depletion, depreciation and amortization, and amounts used for impairment calculations are based on estimates of phosphate reserves and resources and commodity prices, production expenses and capital costs required to develop and produce those reserves and resources. By their nature, estimates of reserves and resources and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material.

Mineral properties and related depletion, depreciation and amortization

The costs of acquiring land and mineral rights are capitalized based on the estimated fair value of reserves and resources at the date of acquisition. When production begins, capitalized acquisition costs are amortized using the unit-of-production method. On acquisition of mineral properties, an estimate of the fair value of the exploration potential of the property is recorded, which is not subject to amortization. At the time mineralized material is converted into reserves and resources, the associated cost is reclassified to the mineral property.

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

2. Summary of significant accounting policies (continued)

Costs incurred in exploring for and developing reserves and resources are capitalized. Such expenditures include geological and geophysical expenses, costs of drilling and general and administrative costs directly related to exploration and development activities. Capitalized costs are amortized and depleted using the unit-of-production method based upon estimated reserves and/or resources. For those properties that are still in the development stage, related costs are capitalized until either commercial production commences or it is determined that the invested amounts will not be recovered.

The Company reviews and tests the carrying amount of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there is the indication that an impairment may have occurred, an impairment test is performed whereby the net capitalized costs of the asset group is compared to the sum of the undiscounted cash flows expected to result from the asset group. If the undiscounted cash flows are less than the carrying amount, an impairment loss, based on the excess carrying amount above the net present value of future cash flows is recorded in the consolidated statements of operations and deficit.

Buildings, plant and equipment are recorded at cost, which includes all expenditures incurred to prepare the asset for its intended use. Costs are also capitalized to the extent they improve productive capacity or extend the useful economic life of an asset. The cost, less any residual value, is amortized over its estimated useful economic life using the straight-line method. The lives of these assets range from 5 years to 25 years.

The Company has entered into certain lease arrangements that meet the criteria for the lease to be classified as a capital lease. Capital leases are recorded as an asset and an obligation at an amount equal to the present value at the beginning of the lease term of the minimum lease payments over the lease term.

Foreign currency translation

The Brazilian subsidiaries are considered self-sustaining operations and exist in a business environment where the Brazilian Real is their functional currency. The financial statements of self-sustaining operations are translated into Canadian dollars from their functional currency using the current rate method. Under this method, assets and liabilities are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date. Revenues and expenses are translated into Canadian dollars at the average exchange rate for the period. All resulting exchange gains and losses are recorded in shareholders' equity in the accumulated other comprehensive income (loss) account ("OCI").

Inventory valuation

The phosphate inventory is valued at the lower of cost and net realizable value. Reversal of previous write-downs is made when there is a subsequent increase in the value of inventories. Phosphate is extracted from open pits and accumulated in stockpiles. Costs are allocated to the stockpiles based on current mining costs incurred up to the point of stockpiling the phosphate. As phosphate is processed and sold, costs are removed on a first-in, first-out basis. Inventory stockpiles are reduced by provisions required to reduce inventory to net realizable value. Mine operating supplies are recorded at the lower of purchase cost and market value.

Asset retirement obligation

The Company recognizes the fair value of an asset retirement obligation ("ARO") in the period in which it is incurred when a reasonable estimate of fair value can be made. The fair value of the estimated ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is amortized to expense through depletion over the life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of this accretion is charged to earnings in the period. Revisions, if any, to the estimated timing of cash flows or to the original estimated undiscounted cost, if any, also result in an increase or decrease to the ARO and the related asset. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the ARO and the recorded liability is recognized as a gain or loss in the Company's earnings in the period in which the settlement occurs.

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

2. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments have been classified into one of the following five categories: held for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income (loss) until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at cost.

The Company made the following classifications:

Cash	Held for trading
Accounts receivable	Loans and receivables
Investments in securities	Available-for-sale
Accounts payable and accrued liabilities	Other financial liabilities
Finance lease obligations	Other financial liabilities

The Company's financial instruments consist of cash, accounts receivable, investment in securities and accounts payable and accrued liabilities.

Revenue recognition

Revenue from the sale of phosphate is recognized when the product is shipped to the customer and title has transferred, the price can be estimated or determined, and collection is reasonably assured. Revenue is recorded net of Brazilian sales taxes, which amounted to \$43 for the period ended July 31, 2009.

Comprehensive income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments and cumulative transaction adjustments arising from the consolidation of self-sustaining operations denominated in foreign currencies.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants and the unrecognized portion of the related fair value would be applied to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Share issue costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method current income taxes are recorded at the estimated income tax rates payable for the current period. Future tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using substantively enacted statutory tax rates in effect when the timing differences are expected to reverse. The effect on future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

2. Summary of significant accounting policies (continued)

Operating segments

The Company operates in a single operating segment, consisting of mining activities in the Brazilian phosphate market. All of the Company's assets and revenues are attributable to this single segment.

Economic dependence

The Company earns significant sales revenue from two customers in Brazil. During the period ended July 31, 2009 \$299 (33%) and \$154 (17%) of revenue was earned from each of these two customers.

Recent accounting pronouncements

CICA Section 3064 - Goodwill and Intangible Assets, which replaces previous guidance, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to initial recognition. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The company is currently assessing the impact of the adoption of this new standard on its consolidated financial statements.

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 company is currently assessing the impact of the adoption of this new standard on its 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 company is currently assessing the impact of the adoption of these new standards on its consolidated financial statements.

3. Business acquisition

On October 14, 2008 MBAC completed the purchase of Itafös Mineração Ltda. ("Itafös"), a Brazilian phosphate producer for \$29,171. The purchase price was satisfied by the cash payment of \$3,995 and the issuance of 2,517,634 common shares. The results of operations of Itafös from the date of acquisition have been included in the Company's financial statements.

Consideration and acquisition costs:

Cash	\$	3,995
Issuance of 2,517,634 common shares		25,176
Transaction costs		1,676
		<hr/>
Purchase price	\$	30,847

Transactions costs incurred on the acquisition of Itafös include \$1,397 which was paid to a company of which one of the directors is also a director of MBAC.

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

3. Business acquisition (continued)

The acquisition was accounted for using the purchase method and accordingly the purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on October 14, 2008 as follows:

Cash	\$	35
Accounts receivable		471
Inventory		1,594
Other assets		77
Mineral properties		43,940
Property, plant and equipment		2,215
Current liabilities		(1,652)
Finance lease obligations		(92)
Asset retirement obligation		(49)
Future income tax liability		(15,692)
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Net assets acquired	\$	30,847

The preliminary allocation of fair value may change when the Company completes its evaluation of fair value information, namely the valuation of mineral rights acquired. The Company does not anticipate material changes to this preliminary allocation.

In addition to the purchase price, the Company agreed to pay the vendor a royalty of US\$7.95 per tonne of P₂O₅ (less production costs and taxes levied upon production) for resources extracted in excess of 14.3 million cubic meters.

4. Inventory

At July 31, 2009, inventory consists of phosphate held in finished goods stockpiles ready for sale in the amount of \$908 and \$464 of raw material.

5. Pyrite asset

On October 14, 2008, the Company paid \$11,910 to a corporation (the "Supplier"), a party related by virtue of certain common directors, to acquire an option to purchase pyrite concentrate for use in production of high-grade fertilizers. The Supplier must satisfy certain conditions including the completion of a feasibility study for the modification of its mill floatation circuit and notifying the Company of its intention to enter into the supply agreement by June 30, 2012. The Company is required to provide quality specifications, a feasibility study for the construction of a sulphuric acid production facility and undertake and complete the construction of the facility by June 30, 2012. If the Company fails to meet its obligations under this agreement the cost of the option will be written-off and charged to earnings.

6. Investments

In June 2009, the Company entered into an agreement with Redstone Resources Ltd. ("Redstone") a publicly-traded corporation listed on the Australian Securities Exchange ("RDS:ASX") to acquire Redstone securities and various options to acquire interests in Redstone's Aneba Potash Project and Apui Phosphate Project (collectively, the "Redstone Projects"), both located in Brazil, South America. The company paid \$284 (US\$250) as consideration for 2,000,000 Redstone common shares and 1,000,000 Redstone warrants (convertible into common shares at a price of 25¢ (AUS Dollars) per common share) and:

- the option to acquire a 35% interest (the "First Option") in each of the Redstone Projects;
- the option to acquire four (4) additional 10% interest tranches ("Additional Options"), exercisable upon the payment of certain pre-determined exploration expenditures and related land taxes; and
- the option to acquire the residual interest in the Redstone Projects (the "Remaining Option") for cash or share consideration.

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

6. Investments (continued)

The fair market value of the assets acquired on June 17, 2009 was:

Available-for-sale securities		
Redstone common shares (2,000,000)	\$	144
Redstone warrants (1,000,000)		14
Options to acquire exploration projects		126
	\$	284

Available-for-sale investments	% of ownership	Cost	Fair value at July 31, 2009	Cumulative amount in OCI
Redstone - common shares	2.5%	\$ 144	\$ 144	\$ -
Redstone - warrants	-%	14	14	-
		\$ 158	\$ 158	\$ -

Available for sale securities are reviewed periodically for possible other-than-temporary impairment and more frequently when economic or market concerns warrant such evaluation.

Subsequent to period-end, (August 17, 2009) the Company exercised the First Option for total consideration of \$277 (US\$250).

7. Property, plant and equipment

	Cost	Accumulated depreciation	Net book value
Mineral properties and exploration rights	\$ 44,843	-	\$ 44,843
Exploration and evaluation assets	2,470	-	2,470
Property, plant and equipment	2,971	(123)	2,848
Cost of non-depreciable items:			
Land	331		331
Assets under construction	524		524
	\$ 51,139	(123)	\$ 51,016

Finance lease obligation consists of \$60 debt related to finance leased vehicles. The debt is secured by the underlying vehicles with monthly payments until July 2011 and bearing interest at rates ranging from 16% to 20% per annum.

8. Income taxes

Loss for the period before income taxes	\$ (1,900)	Statutory Rate (%)
Expected income tax recovery at		
Canadian statutory rates	(627)	33.00%
Effect of changes in future tax rates	4	(0.21)%
Effect on difference in foreign tax rates	(17)	0.89%
Permanent differences	594	(31.26)%
Change in valuation allowance	85	(4.47)%
Provision for income taxes	\$ 39	(2.05)%

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

8. Income taxes (continued)

Current		
Canada	\$	-
Foreign		79
		<u>79</u>
Future		
Canada		-
Foreign		(40)
		<u>(40)</u>
	\$	<u>39</u>

Significant components of future income tax liabilities and assets are as follows:

Future income tax liabilities		
Fair value increments on acquisition of Itafões Mineração Ltda.	\$	15,983
		<u>15,983</u>
Future income tax assets		
Share issue costs		937
Non-capital losses carry-forward		319
		<u>1,256</u>
Valuation allowance		(1,256)
		<u>-</u>
Net future income tax liability	\$	<u>15,983</u>

As at July 31, 2009, the Company has \$911 of Canadian non-capital losses that expire in 2028.

9. Asset retirement obligations

The asset retirement obligations relate to reclamation and closure costs relating to the Company's mine operations and projects under development. The asset retirement obligation as at July 31, 2009 is based on the present value of the estimated future cash flows which total \$50. The settlement of the obligations is expected to occur through to 2030. Reclamation and closure costs of the mines and projects are incurred in Brazilian Reais and are thus subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items.

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

10. Share capital

(a) Common shares

MBAC is authorized to issue an unlimited number of common shares without par value. The Company's issued and outstanding common shares consist of the following:

	Number of common shares	Amount
Balance at incorporation	100	\$ -
Common shares issued to the founders <i>(Note 10(a)) (i)</i>	1,543,066	3,995
Shares issued as equity financing, net of costs <i>(Note 10(c)) (ii)</i>	6,550,117	61,463
Shares issued for the acquisition of subsidiary <i>(Note 3)</i>	2,517,634	25,176
Conversion of 80% of founders' special warrants <i>(Note 10(c))</i>	1,849,444	-
Shares issued as compensation	5,000	20
Shares purchased for cancellation	(609,105)	(4,428)
	11,856,256	\$ 86,226

- (i) Concurrent with the acquisition of Itafós on October 14, 2008, the Company issued 1,543,066 common shares to its founders, including certain officers and directors of the Company, in exchange for their shares in a subsidiary entity. This transaction was accounted for at the carrying amount of the shares received.
- (ii) During the period the Company issued 6,293,250 common shares in private placement raising \$58,894, net of transaction costs, from investors.

(b) Contributed surplus

On May 27, 2009, the Company repurchased 609,105 common shares for cancellation for proceeds of \$2,449. The common shares were repurchased for an amount less than their stated value. The Company credited contributed surplus for \$1,979, representing the amount by which the average stated value of all issued common shares as at the transaction date exceeded the consideration paid for the common shares repurchased.

(c) Founders' units

On August 5, 2008, the company issued 256,867 units (founders' units) to the founders of the Company at a price of \$10.00 (ten dollars) per founders' unit, raising gross proceeds of \$2,569. Each founders' unit consisted of one special warrant and one subscription receipt of the Company. Each special warrant entitled the holder to receive, without payment of any further consideration, on the occurrence of certain events, which included spending or committing to spend funds on business acquisition transactions within specified time periods, common shares of the company. Each special warrant had a mechanism such that, if and when it converted, it would be converted into four (4) or nine (9) common shares depending on the date of conversion. At August 5, 2008 the fair value of the special warrants was determined to be \$nil based on the contingent nature of the conversion conditions. During the period, the Company converted 80% of the special warrants into nine (9) common shares of the Company for every special warrant converted for a total of 1,849,444 common shares. The remaining 20% of the special warrants remain unexercised pending completion of a going-public transaction including financing.

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

10. Share capital (continued)

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

Weighted average number of common shares	6,518,749
Diluted weighted average number of common shares	6,518,749

The dilutive effect of 462,375 common shares related to the founders' units have not been included in the calculation of the weighted average number of common shares as their impact would be anti-dilutive.

11. Capital management

The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of equity financing. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the Company. The capital structure consists of raised capital net of transaction costs of \$88,205 through the issuance of common shares and founders' units in the period ended July 31, 2009. MBAC monitors its capital through its net cash position. The Company maintains this structure by managing working capital and capital spending programs and reviews its capital management approach on an ongoing basis.

12. Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. At July 31, 2009, the Company had a provision for credit losses of \$31 (29.8% of total accounts receivables). Cash consists of funds that have been invested with reputable financial institutions and management believes the risk of loss to be remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities as they come due and to execute on its business plan. As at July 31, 2009, the Company had a cash balance of \$40,703.

Interest rate risk

The Company holds significant cash balances following the equity issues that have occurred in the period. Changes in interest rates will result in a change in the amount of interest earned on the Company's cash. Given the current levels of cash holding and the anticipated period of holding this cash while the Company executes on its business plan, management believes that the risk of material changes to interest rate in the short to medium term is remote and therefore does not hedge its interest rate risk. As at July 31, 2009, the Company has no outstanding debt, other than its capital leases entered into in the normal course of operation at the Itafös mine.

Foreign currency risk

The Company's reporting and functional currency is the Canadian dollar. The functional currency of the Brazilian operations is the Brazilian Real (R\$). Management does not hedge its foreign exchange risk. The R\$ exchange rate strengthened by 3.5% against the Canadian dollar over the course of the period ended July 31, 2009, resulting in a cumulative translation gain of \$1,268 on translation of the Brazilian entities.

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

12. Financial risk factors (continued)

Commodity price risk

The Company is exposed to commodity price risk with respect to phosphate. The price of phosphate is dependant general economic conditions and local market supply and demand considerations. Future price declines could cause reported accounting losses and future exploration and development to be uneconomical. The Company does not manage any exposure to commodity price risk.

13. Commitments

At July 31, 2009, the Company has future minimum annual operating lease commitments in connection with its leased office spaces, certain office equipment and drilling services, as follows:

2010	\$	1,261
2011		342
2012		89
2013		55
2014 and thereafter		55
	\$	<u>1,802</u>

14. Supplementary cash flow information

(a) Net change in non-cash working capital items

Accounts receivable	\$	407
Inventories		249
Other current assets		(121)
Accounts payable and accrued liabilities		876
Deferred revenue		12
	\$	<u>1,423</u>

(b) Interest and income taxes paid in the period

Interest paid during the period	\$	45
Income taxes paid during the period	\$	210

15. Subsequent events

On October 1, 2009 MBAC and Sandwell Mining Ltd. executed a Letter of Intent ("LOI") whereby through amalgamation or other form of arrangement, Sandwell will acquire all of the issued and outstanding shares of MBAC by issuing 62.5 Sandwell shares in exchange for every MBAC common share held. Upon completion of the transaction, MBAC will be a wholly-owned subsidiary of Sandwell. The transaction is subject to completion of satisfactory technical and legal due diligence, receipt of all requisite regulatory and shareholder approvals, and execution of final documentation.

Upon completion Sandwell intends to change its name to MBAC Fertilizer Corp. and will consolidate its issued and outstanding shares on the basis of one post-consolidation share for every 15 pre-consolidation shares held. MBAC will be a wholly-owned subsidiary of Sandwell, although for accounting purposes, this transaction will be accounted for as a reverse take-over.

MBAC Opportunities and Financing Inc.

Notes to the Consolidated Financial Statements

July 31, 2009

(In thousands of Canadian Dollars unless otherwise noted)

15. Subsequent events (continued)

In addition, subsequent to July 31, 2009, the Company has also entered into a private placement agreement to raise \$60,000 through the issuance of 4,800,000 subscription receipts at a price of C\$12.50 dollars each. Each subscription receipt will be exchangeable for no additional consideration into one (1) MBAC common share.