

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**



For the Three and Six months ended January 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements of MBAC Fertilizer Corp. ("MBAC" or the "Company" or "we") for the three and six months ended January 31, 2010 and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). This MD&A contains "forward-looking information" that are subject to risk factors set out in a cautionary note contained herein. All figures are in thousands of Canadian Dollars unless otherwise noted. This MD&A has been prepared as of March 10, 2010. A copy of this MD&A and additional information relating to the Company are available online on the Company's SEDAR profile at www.sedar.com.

Throughout this MD&A, reference to the "Period" or "Q2 2010" or the "three-month period" shall refer to the period from November 1, 2009 to January 31, 2010. Reference to the "six-month period" shall refer to the period from August 1, 2009 to January 31, 2010.

CORE BUSINESS

MBAC Fertilizer Corp (formerly known as Sandwell Mining Ltd. ("Sandwell")), is a Canadian-based fertilizer producer presently engaged primarily in the mining of phosphate rock and related activities including exploration, extraction and processing in Brazil. The Company presently has a single phosphate mine and a mill and treatment plant facility (the "ItaFós Project") where the phosphate rock is milled, processed and sold to local farmers for direct application. The Company intends to expand its current operation and facilities and become a significant producer of Single Super Phosphate ("SSP"). In addition, the Company is engaged in the exploration of various other assets including phosphate and potash opportunities throughout Brazil.

The Company's vision is to become a significant integrated producer of phosphate and potash fertilizers for sale in the Latin-American market.

The Company is listed on the Toronto Stock Exchange under the symbol "MBC".

Reverse takeover transaction

On December 24, 2009, the Company completed the acquisition of all of the outstanding common shares of MBAC Opportunities and Financing Inc. ("FinCO") in exchange for common shares of the Company. Pursuant to the terms of an amalgamation agreement (the "Amalgamation Agreement"), the Company issued 1,057,633,188 common shares to acquire the 16,922,131 outstanding common shares of FinCO ("FinCO Shares"). The transaction constituted a reverse takeover transaction ("RTO") of Sandwell by FinCO for accounting purposes with FinCO as the acquirer. The consolidated financial statements reflect the continuation of the financial statements of FinCO, while the capital structure is that of the Company. Upon completion of the RTO, Sandwell changed its name to MBAC Fertilizer Corp., consolidated its issued and outstanding shares on the basis of one post-consolidation share for every 15 pre-consolidation shares held and continued out of the province of British Columbia pursuant to the Canada Business Corporation Act.

The acquisition of the FinCO Shares pursuant to the Amalgamation Agreement has been accounted for as an RTO transaction in accordance with guidance provided in Emerging Issues Committee ("EIC") Abstract No. 10. Sandwell did not qualify as a business for accounting purposes, and accordingly the transaction has been accounted for as an issuance of shares by FinCO for the net monetary assets of Sandwell Mining Ltd. of \$306 (including cash of \$346), accompanied by a recapitalization of Sandwell Mining Ltd. The total transaction costs associated with the RTO were \$809 of which \$463 has been recorded as general and administrative expense.

Further to the RTO, the interim consolidated financial statements of MBAC, for the six months ended January 31, 2010 reflect the assets, liabilities and results of operations of FinCO, the legal subsidiary, prior to the RTO and the consolidated assets, liabilities and results of operations of the Company and FinCO subsequent to the RTO. The interim consolidated financial statements and this MD&A are issued under the name of the legal parent, but are considered to be a continuation of FinCO.

PROJECT UPDATE

ItaFós Project

Operations

MBAC did not mine, extract or process any additional phosphate rock as the Period coincides with the rain season in central Brazil. At Period end, we fully-processed the run-of-mine (“ROM”) inventory acquired on the acquisition of ItaFós; we do however have approximately 3,000 tonnes of granulated material that will be reprocessed. Accordingly, we are preparing to reinitiate mining of phosphate in order to meet our expected sales initiatives of 100,000 tonnes per annum.

In preparation for the planned increase in production, we have begun closely-spaced drilling in the area to be mined and initiated a program to refurbish and upgrade the existing plant and mill at an estimated direct cost of \$200, primarily for new equipment and replacement parts. In connection therewith, we have renewed environmental and operational licenses and organized the development and implementation of new safety policies and controls including, but not limited to admission training for each employee, regular safety inspections in every task, risk analysis program and work environment health plan.

We continue to conduct market research and analysis in connection with supply and demand for phosphate-based fertilizers in the target region and have hired key sales personnel to investigate and exploit opportunities with potential customers.

Expansion

We continue to further our objective to expand current operations and facilities and become a significant integrated producer of SSP in central Brazil. The planned expansion comprises a new mine, processing plant facilities, sulphuric acid plant and SSP plant with expected production of 540,000 tonnes per annum; commercial production of SSP will commence in 2012. We are undertaking several concurrent analyses to evaluate the technical and economic feasibility of the planned expansion and have engaged an independent engineering firm to conduct a comprehensive feasibility study (the “Feasibility Study”) comprising engineering studies in several areas: mine design, mill plant, sulphuric acid plant, SSP and granulation plants, tailings and water accumulation dams, environmental and social studies, and a market analysis. In order to substantiate the mineral characterization, operational parameters, concentration grade and recovery, we are conducting additional metallurgical, pilot plant and column flotation tests on phosphate samples from the mine site. The Feasibility Study is expected to be completed in April 2010.

Management estimates that the capital expenditures required to complete the expansion is approximately \$160 million, subject to the Board of Directors’ approval of the Feasibility Study. Capital expenditures for fiscal 2010 are expected to be approximately \$37.5 million, the majority of which will be in respect of engineering and procurement of equipment in connection with the proposed sulphuric acid and SSP plants. MBAC expects to commence construction of the plants in the latter part of 2010.

Exploration projects

ItaFós

Mineral properties and exploration rights – “Near Mine” Block

In November 2009 we completed an updated technical report evidencing measured and indicated mineral resources of 12.84 metric tonnes (“Mt”) at 5.23% phosphorus pentoxide (“P₂O₅”) based on a 3.5% lower cut-off-grade and Inferred mineral resources estimated at 91.56 Mt.

During the Period we conducted additional mineral exploration activity in the Near Mine area including systematic drilling campaigns with regular grids ranging from 50 to 200 meters, mapping, infill sampling and data collection from pits opened for trial mining. To January 31, 2010, we drilled a total of approximately 20,000 meters in the Near Mine areas. We continue to evaluate and model the data collected and have retained an independent *qualified person* (as that term is defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”)) to provide an updated resource estimate and NI 43-101 report, which will comprise and form part of the Feasibility Study in respect of the expansion of the ItaFós operations as described above. We expect to receive both the updated NI 43-101 compliant mineral resource estimate and the Feasibility Study in April 2010.

Exploration rights – Regional Block

MBAC maintains exploration rights in areas adjacent to the north and south of the Near Mine block extending for approximately 170 km (the “Regional Block”). During the period, we acquired additional option agreements and submitted new claim applications securing strategic areas in order to consolidate our land holding position.

During Q2 2010 we conducted various drilling, mapping and sampling activities which validated the potential of the northern block, more specifically two occurrences with phosphorite outcrops that have been named *Covanca* and *Lucia*. In view of these preliminary positive indications, we will conduct a follow-up drilling program to better assess the resource potential of the area identified and evaluate the potential to develop an additional stand-alone mining operation. This opportunity may afford us the opportunity to better exploit the pyrite option arrangement (see Financial Information – Assets) due to its proximity to the future fertilizer market located immediately west of the pyrite source.

Redstone Exploration

During Q1 the Company paid \$277 to exercise its option with Redstone Resources Limited, a publicly-traded mineral exploration company based in Perth, Western Australia with shares listed on the Australian Stock Exchange (ASX Code: RDS). The company acquired a 35% interest in each of two (2) exploration projects known as the Apui Phosphate Project and the Aneba Potash Project.

Apui Phosphate Project

The Apui Phosphate Project is located in the Amazonas State in Brazil and covers most of the Jatuarana basin, which was identified as having significant phosphate mineralization by the Brazilian Geological Survey in the 1980's. The Apui Phosphate Project comprises 17 tenements covering approximately 180,000 hectares. Widespread phosphate mineralization was indicated from

reconnaissance exploration. Studies to identify the most prospective areas for further examination are being conducted and are expected to be completed in Q3 2010. The Company continues to evaluate the development potential of these deposits. During the Period, no expenditures were incurred in respect of the Apui Project.

Aneba Potash Project

During the six-month period, we made considerable advances in the assessment of the Aneba Potash Project. Based on systematic analysis of drill log data and seismic profiles, we identified one area of high-interest for potash exploration. We intend to submit applications for a drilling license in respect of this high-interest area and expect to commence drilling before the end of fiscal 2010 with an estimated cost of \$1.0 million. As at January 31, 2010 we have invested \$258 in permitting and licensing costs.

Coastal Potash Project

MBAC has contracted two (2) consulting firms to support its exploration group in the assessment of exploration permits for potash along the coast of Brazil. Based on the evaluation of the data and other analyses conducted, we relinquished approximately one (1) million hectares of exploration permits during the 6-month period and identified additional target areas for which we submitted new claim applications. As at January 31, 2010, MBAC had invested \$375 to secure access to exploration results from oil and gas exploration programs conducted in these areas and modelling of geological information. In addition, we have also engaged a prominent engineering consulting firm to assess the technical and economic feasibility of solution mining potash in shallow waters and expect to receive a final risk assessment report in Q3 2010.

RECENT DEVELOPMENTS

Industry and Economic Factors affecting MBAC's Performance

Brazil is among the leading agriculture exporting countries in the world and agriculture is an important part of the industry. In 2010, Brazil's economy is expected to grow at a rate greater than 5% making it one of the fastest growing emerging markets in the world. The demand for fertilizers in Brazil for 2009 remained unchanged from 2008 at 22 million tonnes (ANDA statistics). Overall, between 2005 and 2009 fertilizer consumption in Brazil grew at a compound annual growth rate ("CAGR") of 3%. Since 2008, commodity prices have stabilized along with an increase in demand for fertilizers. In recent years Brazil has imported approximately 50% of its phosphate requirements and 90% of its potash requirements.

The weakening of the Brazilian Real ("BRL") in early 2010 has afforded local producers a cost advantage over distributors and retailers of imported fertilizers. However, the long term strength of the Brazilian Real will depend on the economy and various other factors internally and globally.

Overall fundamentals of the Brazilian agricultural industry, such as population growth and the global increase in demand for food, continue to make Brazil an attractive market for investments in the fertilizer sector.

HIGHLIGHTS

Three months ended January 31, 2010

Milestones

- Completed a brokered private placement, which raised \$53,519 net of transaction costs in December 2009.
- Completed the RTO and became a public-traded company listed on the TSX on December 30, 2009.
- Continued to assemble and expand a strong management team with experience in explorations, metallurgy, finance and marketing in the Brazilian market.

Financial

- Operating revenue of \$388 and interest income of \$26 compared to \$477 and \$235, respectively, in Q2 2009.
- Net adjusted loss of \$4,150 or \$0.07 adjusted basic and diluted loss per share compared to \$762 or \$0.05.

	Three months ended January 31,	
	2010	2009
Net loss	\$ (8,866)	\$ (765)
Stock-based compensation	3,468	-
Foreign exchange loss on intercompany loans	1,248	3
Adjusted loss before income tax effects	(4,150)	(762)
Income tax effect of adjustments	-	-
Adjusted loss	\$ (4,150)	\$ (762)

* See section on *NON-GAAP MEASURES*

- Net loss of \$8,866 or \$0.15 adjusted basic and diluted loss per share compared to \$765 or \$0.05.
- Total assets are \$153,749, of which cash of \$82,312 and mineral properties and exploration rights of \$44,059 account for 82% of the total.
- Other than \$30 for commitment for vehicle leasing, MBAC has no outstanding debt.
- Working capital available is \$81,100, which exceeds MBAC's expected annual operating costs for 2010.

Six-months ended January 31, 2010

Milestones

- Completed mineral resource estimate in October 2009.

Financial

- Operating revenue of \$1,355 and interest income of \$57, compared to \$718 and \$521, respectively, in Q2 2009.
- Net adjusted loss was \$5,473 or \$0.10 adjusted basic and diluted loss per share compared to \$480 or \$0.05 in the prior year.

	Six months ended January 31,	
	2010	2009
Net loss	\$ (15,493)	\$ (420)
Stock-based compensation	9,270	-
Foreign exchange loss (gain) on intercompany loans	750	(60)
Adjusted loss before income tax effects	(5,473)	(480)
Income tax effect of adjustments	-	-
Adjusted loss	\$ (5,473)	\$ (480)

* See section on *NON-GAAP MEASURES*

- Net loss of \$15,493 or \$0.28 adjusted basic and diluted loss per share compared to \$420 or \$0.04.

OUTLOOK AND STRATEGY

MBAC continues to focus on its core objectives, including the exploration of potential deposits, generating cash flow, preserving capital, maximizing cash balances and maintaining maximum flexibility across its various interests including its development stage and near development stage projects. MBAC is committed to prudent and disciplined growth and will continue to improve the value and returns of its various projects. It will also continue to focus on controlling costs and ensuring the effective management of capital expenditures. Management estimates that it will spend approximately \$10.0 million for exploration opportunities (namely in connection with Apui, Aneba and the Coastal projects) in fiscal 2010 and 2011.

MBAC is well positioned financially to fund its strategic growth plan where expansions, improvements and development of existing assets are expected to drive production toward MBAC's objective to produce at a run rate of approximately 540,000 tonnes per year of SSP during the second half of 2012.

Capital expenditures for fiscal 2010 are expected to be approximately \$16.5 million, the majority of which will be in respect of engineering and procurement of equipment for building the sulphuric acid and SSP plants. MBAC expects to commence construction in the latter part of 2010.

FINANCIAL INFORMATION

The following selected financial data is derived from the interim consolidated financial statements of MBAC for the period ended January 31, 2010 that were prepared in accordance with Canadian GAAP:

Results of operations:

	Three months ended		Six months ended	
	January 31,		January 31,	
	2010	2009	2010	2009
Revenue	\$ 388	\$ 477	\$ 1,355	\$ 718
Cost of sales	782	848	1,485	823
Gross profit (loss)	(394)	(371)	(130)	(105)
Operating expenses	7,354	615	14,779	903
Operating loss	(7,748)	(986)	(14,909)	(1,008)
Foreign exchange gain (loss)	(1,248)	(3)	(750)	60
Interest income	26	235	57	521
Other gains	99	-	120	-
Loss before income taxes	(8,871)	(754)	(15,482)	(427)
Provision for (recovery) of income taxes - current	13	24	54	36
- future	(18)	(13)	(43)	(43)
	(5)	11	11	(7)
Net loss	\$ (8,866)	\$ (765)	\$ (15,493)	\$ (420)
Basic and diluted net loss per common share	\$ (0.15)	\$ (0.05)	\$ (0.28)	\$ (0.04)
Weighted average number of common shares	59,152,739	16,920,000	54,619,377	10,078,201

Three-months ended January 31, 2010

Revenue and cost of sales

During Q2 2010, MBAC did not mine, extract or process any additional phosphate rock as the Period coincides with the rain season in central Brazil. Notwithstanding, we sold 4,476 tonnes of processed phosphate, which generated sales revenue of \$388 for an average selling price of Cdn\$87 per tonne. As at January 31, 2010, \$556 remained outstanding in accounts receivable.

Though there was no phosphate processed during Q2 2010, we continued to incur fixed overhead costs at our mill and plant site. Idle capacity costs of \$426 were charged to cost of sales for the Period.

Selling, general and administrative expenses

Selling, general and administrative expenses were \$3,859 compared to \$599 in the prior year. The majority of these costs is attributable to administrative salaries (\$1,874 – 48.6%), professional fees (\$909 – 23.6%), selling expenses (\$195 – 5.1%) and stock exchange fees (\$165 – 4.3%). Included in professional fees is \$463 of non-recurring expenses related to the RTO.

Stock-based compensation

During the Period, in addition to the options granted during Q1 2010 (the “First Options”), the Company granted 2,582,883 additional stock-award options (the “Additional Options”) to the executive officers and members of the Board of Directors (2009 – nil). At the date of grant, the fair market value of the Additional Options was \$5,398, of which \$2,516 was expensed during the Period, along with \$952 of additional expense in respect of the First Options. The current and future expense in respect of stock-based compensation will be recognized using the graded vesting method of accounting.

Net loss and income taxes

The loss for Q2 before income taxes was \$8,871. Notwithstanding the losses realized, foreign taxes levied on gross revenue and mining taxes totalling \$13 were paid. Future income taxes recorded on the acquisition of ItaFós were partially recovered from the related depreciation charged in respect of property, plant and equipment acquired at that time.

Six-months ended January 31, 2010

Revenue and cost of sales

MBAC did not mine or extract ore during the six-month period ended January 31, 2010. The Company processed 15,429 tonnes of phosphate rock and sold 14,724 tonnes of processed phosphate, which generated sales revenue of \$1,355 for an average selling price of Cdn\$92 per tonne.

Selling, general and administrative expenses

Selling, general and administrative expenses were \$5,468 compared to \$869 in the prior year. The majority of these costs is attributable to administrative salaries (\$2,908 – 53.2%), professional fees (\$1,431 – 26.2%), selling expenses (\$311 – 5.7%) and stock exchange fees (\$165 – 3.0%). Included in professional fees is \$463 of non-recurring expenses related to the RTO.

Stock-based compensation

During the six-month period ended January 31, 2010, stock awards were granted to executive officers and directors (4,540,671 First Options and 2,582,883 Additional Options). At the date of grant, the aggregate fair market value of these awards was \$15,452, of which \$9,270 was expensed during the six-month period. The current and future recognition of the stock-based compensation will be expensed using the graded vesting method of accounting.

Net loss and income taxes

The loss for the six-month period before income taxes was \$15,482. Notwithstanding the losses realized, foreign taxes levied on gross revenue of \$54 were paid. Future income taxes recorded on the acquisition of ItaFós were partially recovered from the related depreciation charged in respect of property, plant and equipment acquired at that time.

Financial condition

Balance Sheet as at January 31, 2010

Cash	\$	82,312
Other current assets		1,769
Pyrite asset		11,910
Investments		179
Mineral properties and exploration rights		44,059
Exploration assets		6,900
Other property, plant and equipment		6,620
Total assets	\$	153,749
<hr/>		
Current liabilities	\$	2,981
Future income tax liabilities		15,664
Asset retirement obligations		49
Other long-term liabilities		7
Total liabilities		18,701
Shareholders' equity		135,048
Total liabilities and equity	\$	153,749

Assets

Total assets include cash of \$82,312, all of which represent the unused proceeds from brokered private placements. Other significant assets are described below.

Pyrite asset

MBAC has acquired an option to secure a supply of pyrite concentrate, which may be used in the production of sulphuric acid. During the six-month period, the Company extended the option period and now is required to deliver a Feasibility Study no later than March 14, 2011. This extension affords us the opportunity to better evaluate the economic feasibility of this opportunity relative the commodity prices for sulphur.

Exploration assets

Drilling and other exploration expenditures are capitalized. Exploration expenditures, which were capitalized for the six months ended January 31, 2010 amounted to \$4,353. All of these expenditures were incurred in respect of the ItaFós Project with the exception of \$258 spent on permitting for the Aneba Potash Project. Below is a summary of these expenditures.

	3 months	YTD Q2 2010
Geological	\$ 716	\$ 1,316
Engineering	133	238
Drilling	350	907
Consulting	62	103
Permitting	1,155	1,364
Lab analysis	173	332
Other	52	91
	\$ 2,642	\$ 4,353

Other property, plant and equipment

Through the acquisition of ItaFós, MBAC acquired various property, plant and equipment with a fair value of \$2,215. During the three and six months ended January 31, 2010, MBAC acquired and constructed property, plant and equipment for a cash cost of \$2,500 and \$3,495, respectively. Depreciation of property, plant and equipment for the three and six months ended January 31, 2010 was \$54 and \$125, respectively.

Liabilities

Total liabilities are comprised primarily of accounts payable, deferred revenue and future income taxes. Accounts payable include \$621 of taxes withheld from the proceeds due on the repurchase of MBAC shares in Fiscal 2009 and \$990 in accrued professional fees. Deferred revenue of \$218 represents prepayments from customers for goods to be delivered. The future tax liability arose on the acquisition of the ItaFós assets with fair values in excess of their tax bases. In future years, as these assets are depleted or depreciated, the future tax liabilities will reverse and be charged to income in the particular year.

Equity

	As at January 31, 2010
Share capital	\$ 139,736
Contributed surplus	11,270
Accumulated other comprehensive income	930
Deficit	(16,888)
Total	\$ 135,048

Cash flow information

	Three Months	Six Months
Cash flows used in operating activities	\$ (2,705)	\$ (4,481)
Cash flows used in investing activities	(5,076)	(7,720)
Cash flows from financing activities	53,910	53,895
Foreign currency effect on cash	(166)	(86)
Increase in cash	\$ 45,963	\$ 41,609

Three months ended January 31, 2010

Operating activities

MBAC used \$8,866 to fund current year operating losses, which were offset by \$4,213 from non-cash working capital items, namely in respect of the issuance of stock-based compensation and foreign exchange losses, resulting in a net cash cost to operations of \$2,705.

Investing activities

Cash outflow to investing activities was \$5,076, of which \$2,500 was in respect of the acquisition of land, a grinding mill for the new flotation plant, conveyors, wheel loader and revamp of the administrative building and \$2,642 for exploration and development.

Financing activities

MBAC's financing activities were substantially all in connection with the brokered private placement, which generated \$53,519 of cash.

Six months ended January 31, 2010

Operating activities

MBAC used \$15,493 to fund current year operating losses, which were offset by \$5,250 from non-cash working capital items, namely in respect of the issuance of stock-based compensation and foreign exchange losses, resulting in a net cash cost to operations of \$4,481.

Investing activities

Cash outflow to investing activities was \$7,720 of which \$3,495 was in respect of the acquisition of land, a grinding mill for the new flotation plant, conveyors, wheel loader and revamp of the administrative building and \$4,353 for exploration and development.

Financing activities

MBAC's financing activities were substantially all in connection with the brokered private placement, which generated \$53,519 of cash.

Summary of Quarterly Results:

In thousands of Canadian dollars except for per share amounts	3 months ended	
	Q2 2010	Q1 2010
Net Sales/Total Revenue	\$ 388	\$ 967
Net Income (Loss) – total	\$ (8,866)	\$ (6,630)
Net Income (Loss) – per share	\$ 0.15	\$ 0.13
Total assets	\$ 153,749	\$ 108,140
Total long-term financial liabilities	\$ 7	\$ 9

NON-GAAP MEASURES

The Company has included certain non-GAAP measures including “Adjusted Earnings or Loss” and “Adjusted Earnings or Loss per share” to supplement its financial statements, which are presented in accordance with Canadian GAAP. Non-GAAP measures do not have any standardized meaning prescribed under Canadian GAAP, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

The Company uses the financial measures “Adjusted Earnings or Loss” and “Adjusted Earnings or Loss per share” to supplement information in its consolidated financial statements. The presentation of adjusted measures are not meant to be a substitute for net earnings or loss or net earnings or loss per share presented in accordance with GAAP, but rather should be evaluated in conjunction with such GAAP measures. Adjusted Earnings or Loss and Adjusted Earnings or Loss per share are calculated as net earnings excluding (a) stock-based compensation and (b) foreign exchange (gains) losses. Management believes that the presentation of Adjusted Earnings or Loss and Adjusted Earnings or Loss per share provide useful information to investors because they exclude non-cash and other charges and are a better indication of the Company’s results from operations. The items excluded from the computation of Adjusted Earnings or Loss and Adjusted Earnings or Loss per share, which are otherwise included in the determination of net earnings or loss and net earnings or loss per share prepared in accordance with Canadian GAAP, are items that the Company does not consider to be meaningful in evaluating the Company’s past financial performance or the future prospects and may hinder a comparison of its period-to-period results.

LIQUIDITY AND CAPITAL RESOURCES

Cash as at January 31, 2010 was \$82,312. Factors that could impact MBAC’s liquidity are monitored regularly and include the project costs, currency fluctuation, operating cash costs, capital costs and exploration expenditures.

2009 Private Placement

In December 2009, FinCO closed a brokered private placement and issued 4,538,500 common shares at a price of Cdn\$12.50 per share (post-amalgamation and post-consolidation – 18,910,417 common shares at a price of Cdn\$3.00 per share) for aggregate proceeds, net of transaction costs, of \$53,519.

Expected use of funds

MBAC expects to earn modest gross margins on the sale of inventory through the sale of finished goods inventory. Subject to approval of the Feasibility Study by the Board of Directors, management estimates that it will require approximately \$37.5 million to fund capital expenditures for the next 12 months as follows:

Upgrades to the mine and mill plant	\$ 18.7 million
Construction of the sulphuric acid plant	11.7
Construction of the SSP plant	2.6
Mine sustaining capital	0.7
Exploration works in MBAC's phosphate mineral districts	3.8
	<u>\$ 37.5 million</u>

In addition, the Company will require approximately \$6.0 million for selling, general and administrative expenditures for the next 12 months, consisting primarily of employee salaries, professional fees and marketing costs.

With approximately \$82 million in cash at the Period end, MBAC is sufficiently capitalized to fund its planned operating and capital expenditures for through January 31, 2011.

Once MBAC receives the study confirming the technical and economic feasibility of the planned expansion in respect of the construction of the SSP facility, it will be dependent on obtaining regular financing in order to continue the proposed business plan. Despite previous success in acquiring this financing, there is no guarantee of obtaining any future financing, or that it will be available on acceptable terms. The prices of phosphate fluctuate widely and are affected by many factors outside of MBAC's control. The relative prices of phosphate and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mining exploration companies.

Cash beginning, July 31, 2009

Proceeds from the total issuance of MBAC Shares

Cash received (used):

To fund operations

Acquisition of property, plant and equipments

Exploration expenditures

Cash acquired with reverse takeover

Other

Cash ending, January 31, 2010

\$	40,703
	53,519
	94,222
	(4,481)
	(3,495)
	(4,353)
	346
	73
	(11,910)
\$	82,312

MBAC has no commitments for capital expenditures other than rent for office space in Toronto and Rio Janeiro, drilling contractors and lease payments for two (2) vehicles in Brazil (See "Contractual Obligations" section).

CAPITALIZATION

Shareholders' equity as at January 31, 2010 was \$135,542.

As at January 31, 2010, MBAC had 72,656,003 common shares issued and outstanding. 4,538,500 shares pre-amalgamation and consolidation (18,910,417 shares post-amalgamation and consolidation) were issued in connection with a brokered private placement, and an additional 462,375 common shares

pre-amalgamation and consolidation (1,926,563 post-amalgamation and consolidation) in respect to the exercise of founders warrants.

Stock-based incentive plans

During the three and six-month periods ended January 31, 2010, the Company issued 4,540,671 and 2,582,883 share purchase options respectively. The Company has recognized a total of \$9,270 in compensation expense in connection with these options and a corresponding increase in contributed surplus. The following table summarizes the stock-based compensation up to the second quarter of 2010:

	Six months ended January 31, 2010	
	Number of options	Weighted average exercise price (Cdn\$)
Outstanding, beginning	-	\$ -
Assumed on reverse takeover	73,333	1.50
Granted	7,123,550	2.69
Exercised	(39,999)	1.50
Outstanding, ending	7,156,884	2.69
Exercisable	3,522,434	\$ 2.56

The following common shares and convertible securities of the Company were outstanding at March 10, 2010:

	Expiry date	Exercise price (Cdn\$)	Securities Outstanding	Common shares on exercise
Common shares	-	-	72,656,003	-
Options	Aug 12 to Nov 27, 2014	\$1.50 to \$3.75	7,156,884	7,156,884

CONTRACTUAL OBLIGATIONS

The following table lists, as at January 31, 2010, information with respect to the Company's contractual obligations and respective payment due by period:

	Total	Less than 1 year			
		1 -3 years	4 -5 years	After 5 years	
Mine operating/construction and service contracts	\$ 830	\$ 815	\$ 15	\$ -	\$ -
Asset retirement obligations	50	-	-	-	50
Office leases	697	283	414	-	-
	\$ 1,577	\$ 1,098	\$ 429	\$ -	\$ 50

FOREIGN EXCHANGE

MBAC's Brazilian operations are denominated in BRL, the operations' functional currency; accordingly, fluctuations in the exchange rates can significantly impact (a) the results of operations and (b) the reported net assets. The effect of changes in currency fluctuations on the operations' net assets is recorded in the Company's shareholders' equity as a cumulative translation adjustment ("CTA").

For the three and six-months ended January 31, 2010, we recognized foreign exchange losses of \$1,248 and \$750, respectively, which arose primarily due to a strong Canadian Dollar relative to the BRL. The BRL weakened by 8.71% against the Canadian Dollar over the course of the Period and 1.78% over the six months ended January 31, 2010, resulting in a CTA loss of \$1,063 and \$359, respectively, on translation of the Brazilian entities.

OFF-BALANCE SHEET ARRANGEMENT

As at January 31, 2010 MBAC did not have any off-balance sheet arrangements.

INCOME TAXES

MBAC's combined Canadian federal and provincial statutory tax rate was 30.99%. There are a number of factors that affect MBAC's effective tax rate including the rate differential and proportion of income earned in each jurisdiction, tax benefits that were not recognized, foreign currency gains and losses and changes in tax rates. As a result, MBAC's effective tax rate may fluctuate from period-to-period. A reconciliation of MBAC's statutory rate to the effective tax rate is provided in Note 7 to the interim consolidated financial statements for the Period ended January 31, 2010.

RELATED PARTY TRANSACTIONS

During the three and six-month periods ended January 31, 2010, the Company did not enter into any new related party transactions.

CONTINGENCIES

Due to the size, complexity and nature of MBAC's operations, various legal and tax matters arise in the ordinary course of business. MBAC accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of MBAC.

PHOSPHATE FERTILIZER MARKETS

The price of phosphate-based fertilizers varies with the price of Diammonium Phosphate ("DAP"), which at Period end was quoted at US\$450 FOB US Gulf coast per tonne. This represents an increase of 56% from the DAP prices in June 2009. The International Fertilizer Association ("IFA") research report on short term outlook for fertilizer markets in 2009 – 2010 estimates a 3% increase in fertilizer

demand. A continuous reduction in fertilizer application will result in lower yields of harvest. As a result, this year demand in fertilizers is expected to recover.

Global recovery along with a fast growing Brazilian economy could lead to increased demand for fertilizers. Phosphate prices for the first half of 2010 are expected to increase.

RISKS AND UNCERTAINTIES

Exploration, development and mining of minerals involve numerous inherent risks. As such, the Company is subject to various financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows. Although the Company assesses and minimizes these risks by applying high operating standards, including careful management and planning of its facilities, hiring qualified personnel and developing their skills through training and development programs, these risks cannot be eliminated. Such risks include changes in local laws governing the mining industry, a decline in fertilizer prices and the activity in the mining sector, uncertainties inherent in estimating mineral reserves and mineral resources and fluctuations in local currency against the Canadian Dollar.

Readers are encouraged to read and consider the risk factors more particularly described in *Note 12* “Financial Risk Factors” to the audited consolidated financial statements and MD&A for the period ended July 31, 2009, which have been filed with the securities regulatory authority in all provinces of Canada. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with Canadian GAAP. Certain estimates and assumptions must be made by management that affects the reported amounts of assets, liabilities and shareholders’ equity for the period. Critical accounting estimates include estimates that are uncertain and changes in such estimates could materially impact the Company’s financial statements. Management reviews its estimates and assumptions on an ongoing basis based on the most current information available. The following estimates are critical:

Capitalization of exploration costs

The Company capitalizes exploration expenditures that are deemed to have economic value beyond a one-year period. The magnitude of this capitalization involves a certain amount of judgment and estimation.

Impairment testing of long-lived assets

The Company reviews its mineral properties and property, plant & equipment (at least once a year) to determine whether the recorded value of the asset in the accounts will be recoverable in the future. This process involves comparing the fair value of the assets in a reporting unit to the carrying value in the accounts. In the event the carrying value of the assets in the accounts exceeds the fair value, the excess amount is charged to operations in the period when this determination has been made.

A NI 43-101 compliant estimate of proven and probable reserves and measured, indicated & inferred resources for each mineral property is a critical estimate in evaluating long-lived assets for

impairment. In addition, estimates such as the price of fertilizers and certain capital and operating cost estimates are critical estimates in the evaluation of potential impairment of long-lived assets.

Asset retirement obligation

Reclamation costs are estimated at their fair value based on the estimated timing of reclamation activities and management's interpretation of the current regulatory requirements in the jurisdiction in which the Company operates. Changes in regulatory requirements and new information may result in revisions to these estimates.

Income taxes

Future income tax assets and liabilities are recognized based on temporary differences between accounting and tax bases of assets and liabilities as well as the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when differences are expected to reverse. Future income tax assets are recorded on the financial statements if realization is considered more likely than not.

Stock-based compensation

The fair value of stock options granted, using the Black-Scholes option pricing model, is used to measure stock-based compensation expense. The Black-Scholes option pricing model requires the usage of certain estimates, which includes the estimated outstanding life of stock options granted and expected volatility of the underlying common shares. Management currently uses the entire life of the stock option granted as the estimated outstanding life and will continue using this until enough history relating to prior grants has been established to modify this assumption.

RECENT ACCOUNTING POLICIES AND PRONOUNCEMENTS

Stock-based compensation

The Company accounts for stock-based compensation that settles through the issuance of equity using the fair value based method, whereby the fair value of the stock-based award is determined at the date of grant using a market-based option valuation model. The fair value of the award is recorded as compensation expense and is accrued on a graded vesting basis with a corresponding increase to contributed surplus. No adjustment for subsequent changes in the price of the Company's shares will be recorded. On exercise of the award, the proceeds together with amount recorded in contributed surplus are recorded as share capital.

Readers are encouraged to read the accounting policies particularly described in the Company's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the period ended July 31, 2009.

INTERNATIONAL FINANCIAL REPORTING STANDARD ("IFRS") CHANGEOVER PLAN

The Company continues to monitor the deliberations and progress on plans to converge to International Financial Reporting Standards ("IFRS") by accounting standard setting bodies and securities regulators in Canada and Brazil in advance of the Company's conversion to IFRS in relation to the year ending July 31, 2012.

Differences between Canadian GAAP and IFRS will impact the Company's accounting activities at varying degrees some of which are dependent on policy-choice decisions. The Company's main

objective in the selection of IFRS policies and transition elections is to become IFRS compliant while ensuring that it provides meaningful and transparent information to stakeholders. Demand for significant effort is expected to be in the following areas:

- IFRS 1 - First-time adoption of IFRS

The general principle in first time adoption of IFRS is retrospective application as though IFRS had always been used. However, IFRS 1 provides some relief to an entity adopting IFRS for the first time and it requires certain disclosures and reconciliations on adoption containing four mandatory exemptions and 15 elective exemptions covering some of the areas below.

- IAS 16 - Property, plant and equipment (“PPE”)

Key differences with respect to PPE include component accounting which must be more rigorously applied to physical and non-physical components, the mandatory capitalization of interest costs and requirements for annual review of estimates of useful life, residual value and depreciation method. Additionally, the Company has a choice on the valuation method between revaluation to fair value or historical cost accounting.

- IAS 36 - Impairment of assets

Some of the key differences under assessment include the measurement of impairment as it exists if the book value exceeds the recoverable amount which measured as the difference in these amounts (one step test). IAS 36 also allows the reversal of impairments for long-lived assets if conditions that gave rise to those impairments no longer exist.

- IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

Differences that are being assessed include the recognition of provisions which introduces the concept of recognition of legal and constructive obligations when probable ('more likely than not' or greater than 50%) and the requirements for discounting when material.

A project steering committee will be established in order to provide overall guidance to the conversion project. The audit committee of the Company is kept informed of management's decisions on accounting policy choices under IFRS, project status and significant IFRS developments.

DISCLOSURE CONTROLS AND PROCEDURES

Both the Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of the Company's internal controls over financial reporting as at January 31, 2010, pursuant to the requirements of National Instrument 52-109.

The Company has very limited administrative staffing and in many instances, the implementation of internal controls relying on segregation of duties is not always possible. The Company relies on senior management review and approval to ensure that the controls are as effective as possible. There has been no change in the Company's internal control over financial reporting during the quarter ended January 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining effective *internal control over financial reporting* as defined in the rules of the Canadian Securities Administrators. The

Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with accounting principles generally accepted in Canada for external purposes. The Company's internal control over financial reporting includes:

- maintaining records that in reasonable detail accurately and fairly reflect our transactions and dispositions of the assets of the Company;
- providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles;
- providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and
- providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on the Company's financial statements would be prevented or detected on a timely basis.

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chairman of the Board of Directors and the Chief Executive Officer and the Executive Vice President, Finance and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein may constitute forward-looking information, including any information as to the Company's strategy, plans or future financial or operating performance. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "estimates", "intends", or variations of such words and phrases or statements that certain

actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. In particular, forward-looking information included in this MD&A includes statements with respect to:

- the Company’s expansion strategy;
- the Company’s vision to become a significant integrated producer of potash and phosphate fertilizers in the Brazilian market;
- the amount of phosphorus pentoxide that is expected to be mined and processed in 2010 and 2011;
- the expected commencement date for the commencement of commercial production as well as other operations of the Company;
- expected capital expenditures; and
- the Company’s plans to construct a new mine, processing plant facilities, a sulphuric acid plant and an SSP granulation plant with production of 540,000 tonnes per annum.

The forward-looking information contained in this MD&A is based on the opinions, assumptions and estimates of management set out herein, which are considered to be reasonable as at the date the information is presented, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include various exploration and development risks, environmental risks and hazards, uncertainty with respect to current global financial conditions, uncertainty with respect to the estimation of mineral reserves and mineral resources, the need for additional resources, uncertainty with respect to inferred mineral resources, fluctuations in commodity prices, uncertainty with respect to local infrastructure, uncertainty with respect to the ability to obtain all necessary permits, insurance and uninsured risks, potential increases in production costs, the possibility of disputes with respect to title to mineral concessions, the possibility that certain mineral concessions may be terminated, competition within the mining industry and, in particular, the fertilizer production business in Brazil and elsewhere, the need to obtain additional capital, fluctuations in currency values, potential write-downs and impairments, litigation risks, the ability to effectively integrate any future acquisitions into its business structure, uncertainty with respect to governmental regulation of the mining industry, risks relating to foreign operations, labor and employment risks, risks relating to the Company’s foreign subsidiaries, dependence upon key management personnel and executives, possible conflicts of interest with respect to directors and executive officers who also serve as directors and/or officers of other companies involved in natural resource exploration and development, potential damage to the Company’s reputation, malicious acts of destruction to material property, abnormal weather patterns and conditions, climate change, the ability to attract and retain skilled employees with expertise in potash and phosphate operations, and volatility in the Company’s stock price. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The reader is cautioned not to place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company’s expected financial and operational performance and the Company’s plans and objectives and may not be appropriate for other purposes.