

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



FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2011

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements of MBAC Fertilizer Corp. ("MBAC" or the "Company" or "we") for the three and nine months ended April 30, 2011 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 is subject to risk factors including those set out in the cautionary note, elsewhere in this MD&A and in the Company's current Annual Information Form. All figures are in thousands of Canadian dollars ("\$"), except price per tonne and earnings per share, unless otherwise noted. This MD&A has been prepared as of June 9, 2011. A copy of this MD&A and additional information relating to the Company, including the Company's current Annual Information Form, are available online on the Company's SEDAR profile at www.sedar.com.

Throughout this MD&A, reference to the "quarter", "three month period" or "Q3 2011" shall refer to the period from February 1, 2011 to April 30, 2011. References to the "nine month period" or "nine months ended April 30, 2011" shall refer to the period from August 1, 2010 to April 30, 2011. References to "comparative quarter" or "Q3 2010" shall refer to the period from February 1, 2010 to April 30, 2010. References to the "comparative nine month period" or "nine months ended April 30, 2010" shall refer to the period from August 1, 2009 to April 30, 2010.

CORE BUSINESS

MBAC Fertilizer Corp. is a Canadian-based company, listed on the Toronto Stock Exchange under the symbol "MBC". The Company presently operates a small-scale phosphate mine and a mill and treatment plant facility (the "Itafós Campos Belos Reactive Natural Phosphate ("RNP") Operations"). The phosphate rock from the Itafós Operations is mined, processed and sold to local farmers for direct application. The Company's vision is to become a significant producer of Single Super Phosphate ("SSP") in the Brazilian market through the exploitation of its mineral resources and the development and construction of a substantial SSP production facility (the "Itafós Arraias SSP Project", previously referred to as the Itafós Expansion Project). The production facility will comprise a mill, a beneficiation plant, a sulphuric acid plant, an SSP plant and a granulation plant, and once complete, the Itafós Arraias SSP Project is estimated to have production capacity of 500,000 tonnes of SSP per annum.

In addition to the Itafós Arraias SSP Project, the Company is engaged in exploration and evaluation efforts aimed at potentially doubling production capacity ("Itafós - Phase II"), which could be in place as early as 2015.

The Company continues to explore various other assets including phosphate and potash opportunities throughout Brazil.

ITAFÓS PROJECT UPDATE

ITAFÓS CAMPOS BELOS RNP OPERATIONS – current processing facility

In October 2008, the Company acquired Itafós Mineração Ltda. (“Itafós”), which owned several exploration and mining rights along with the net assets comprising the Itafós Operations, sited in the city of Arraias, Tocantins. The table below summarizes the tonnage extracted, processed and sold during the three and nine months ended April 30, 2011 and during the comparative quarters.

	Three months ended		Nine months ended	
	April 30		April 30	
(In tonnes)	2011	2010	2011	2010
Extracted	17,575	22,804	52,220	22,804
Processed	5,154	3,600	36,584	19,029
Sold	6,184	461	32,161	15,185
Revenue	\$ 774	\$ 63	\$ 3,993	\$ 1,427
Avg. selling price per tonne	\$ 125.16	\$ 136.66	\$ 124.16	\$ 93.97

ITAFÓS ARRAIAS SSP PROJECT – SSP facility

Though modest in scale, the Itafós Campos Belos RNP operations presently provide strategic value in respect of industry knowledge, market presence and technical expertise, which are all essential to the advancement of the Itafós Arraias SSP Project. During the nine month period, MBAC announced the completion of a definitive feasibility study entitled “Arraias Tocantins Definitive Feasibility Study Report, as amended” dated October 26, 2010, as amended February 10, 2011 (the “DFS Technical Report”), the results of which support the Company’s decision to proceed with the Itafós Arraias SSP Project. The responsible qualified persons for the DFS Technical Report were David Frost of AMEC Minproc Engenharia e Consultoria Ltda. (“AMEC”), Carlos Guzmán of NCL Brasil Ltda. (“NCL”), Callum Grant of Wardrop Engineering Inc., a Tetra Tech Company (“Wardrop”) and Daniel B. J. Kivari, P.Eng of DK Serviços Cadastrais Ltda. The Itafós Arraias SSP Project will be sited in the city of Arraias, Tocantins in Brazil where the mineral deposit is located, approximately 10 kilometres from the existing Itafós Operations. The DFS Technical Report provides a detailed analysis of the technical, operating and capital cost considerations of the Itafós Arraias SSP Project and incorporates the results of a National Instrument 43-101 (“NI 43-101”) compliant mineral resource estimate report prepared by Wardrop, a mining plan prepared by NCL and a market report prepared by MB Agro (Brazil). The independent technical report prepared by Callum Grant of Wardrop entitled “Arraias-Campos Belos Phosphate Project, Brazil - Updated Mineral Resource Estimate” (the “Resource Estimate”) dated September, 2010 and the DFS Technical Report have been filed under the Company’s profile on SEDAR at www.sedar.com, and readers are referred to the full text of such reports.

Milestones and expected timelines for the Itafós Arraias SSP Project are presented below.

	Apr – Jun 2011	Jul – Sep 2011	Oct – Dec 2011	Jan – Mar 2012	Apr – Jun 2012	Jul – Sep 2012
Engineering	→					
Detailed engineering	→					
Environmental studies	→					
Operational license	→					▲
Civil Construction		→				
Equipment Acquisition	→					
Electromechanical Erection			→			
Commissioning						→

The licensing process in Brazil consists of three stages and involves the issuance of a preliminary license, a construction license and an operating license. The preliminary license was granted upon evaluation of all the project details and it confirms the project is environmentally feasible. The Company received the preliminary license for the Itafós Arraias SSP Project in December 2010. The second stage is the awarding of the construction license, which is granted after certain preconditions established on the issuance of the preliminary license are fulfilled by the Company. MBAC has fulfilled these requirements and received the approval to initiate the project construction in March 2011. With receipt of the construction license, the final outstanding license required is the operating license, which is expected to be issued after the construction of the mine and all facilities are completed in accordance with the protocols established in the previous two licenses.

Since receiving the construction license the Company placed orders for several capital items including the sulphuric acid plant which is the longest lead item for the Itafós Arraias SSP Project. Earthworks were also commenced shortly after quarter end.

Highlights of the Definitive Feasibility Study

The DFS Technical Report supports an open pit mining operation, crushing of the ore on-site, grinding and flotation concentration of the phosphate ore. The flotation concentrate will be further reacted with sulphuric acid produced on site.

The following is a summary of the Base Case assumptions and economics of the project:

Base Case assumptions

- produce and sell on average 500,000 tonnes of SSP per annum;
- SSP selling price of US\$250 per tonne;
- strip ratio - 1.85 for the first 10 years
- 2.30 over the mine life; and
- average run-of-mine (“ROM”) grade - 5.94% P₂O₅ in first 10 years
- 5.39% P₂O₅ over the mine life.

Project economics

- internal rate of return (“IRR”) of 26.8%;
- net present value (“NPV”) of US\$252.5 million, using 10% discount rate;
- payback period of 3.1 years;
- mine life of 14.5 years;
- operating cost (SSP) - US\$94.95 per tonne in first 4 years
- US\$104.32 per tonne over the mine life; and
- total expected capital cost, including general & administrative, start-up and reclamation costs, of US\$195 million (± 15%).

A change of ±10% in SSP selling prices would impact the project NPV by approximately ±US\$70 million, all else being equal.

Other highlights

- proven and probable mineral reserves based on the production schedule used for the DFS Technical Report are as follows¹:

Ore source	Tonnage (Mt)	P ₂ O ₅ %
Proven reserves	13.0	4.53%
Probable reserves	31.2	5.47%
	44.2	5.39%

EXPLORATION ACTIVITIES

ITAFÓS - PHASE II

In addition to the Itafós Operations and the proposed Itafós Arraias SSP Project, the Company is engaged in exploration efforts aimed at developing Itafós - Phase II, a second expansion that could potentially produce an additional 500,000 tonnes of SSP per annum as early as 2015.

In addition to the measured and indicated mineral resources defined thus far in the Near Mine area as set out in the Resource Estimate, the Company has identified indicated mineral resources and inferred mineral resources in additional areas contiguous to the Domingos block that could potentially justify the development of Itafós - Phase II.

Based on the Resource Estimate dated September 2010, Wardrop estimated total inferred mineral resources of 24.02 Million Tonnes (“Mt”) with an average P₂O₅ grade of 5.27% in the following blocks:

Blocks	Tonnage (Mt)	P ₂ O ₅ %
Near Mine	4.01	4.00
Domingos	3.54	4.10
Canabrava	0.74	3.80
Avião	0.55	5.66
Brejo	14.37	6.00
Cabeçuda	0.81	4.75
	24.02	5.27

¹ The results and conclusions of the DFS Technical Report are based solely on measured mineral resources and indicated mineral resources with no consideration for any potential economic upside or extended mine life that may result from the migration of inferred mineral resources to measured mineral resources or indicated mineral resources or mine optimization opportunities.

At the time, Wardrop also identified additional inferred mineral resources to be defined as a result of further drilling in the Northern Domingos block and fringes of the Canabrava block.

Since the Resource Estimate, an additional 1,788 metres have been drilled comprising 43 new holes at a nominal 200 x 200 metres or closer spacing. The latest drilling campaign targeted the northern extension of the Domingos Block, an area within close proximity of the future plant site that had not been drilled previously due to access restrictions. The Company also targeted central parts of the Domingos Block that had previously been drilled at 200 x 200 metre spacing. These areas were infill drilled with the objective of generating additional analytical information and variography studies.

A number of the drill holes intersected mineralization with grades that were significantly higher than the grades reported in DFS Technical Report and led to identification of additional mineralized zones which are relatively shallow. An updated resource calculation is yet to be performed, but the new results demonstrate a potential to increase existing resources in excess of that indicated in the DFS Technical Report.

The new exploration and evaluation efforts conducted in these areas has resulted in a portion of the Company's inferred mineral resources being moved into the category of indicated mineral resources, with approximately an additional 15 Mt of indicated mineral resources with an average P₂O₅ grade of 5.968% having been confirmed by the Company in the Near Mine areas, which is additional to the measured and indicated mineral resources set out in the Resource Estimate. The Company also anticipates positive exploration results from other areas such as at the fringes of the Canabrava Block, where the lateral extent of open ended mineralization has yet to be fully explored. The economies of scale realizable vis-à-vis the location of the project, could potentially justify the development of Itafós-Phase II.

SANTANA PHOSPHATE PROJECT

The Santana Project consists of tenement areas covering approximately 90,000 hectares located in the southern Pará State, Brazil approximately 80 kilometres away from the main route used for export of soya and other agricultural products to Europe and elsewhere. The proximity to this route also gives the Santana Project market access to extensive farm land in the northern Mato Grosso State of Brazil, one of the fastest growing agricultural frontiers in the world. Santana is also located near significant cattle raising operations in Para State which provides the opportunity to produce animal feed supplement. During the next 12 months, the Company will be assessing the opportunities in value-added phosphate fertilizers such as SSP, Triple Super Phosphate ("TSP"), Mono-Ammonium Phosphate ("MAP") as well as Dicalcium Phosphate ("DCP") which is used as animal feed supplement.

The drilling program at the Santana Project continues to yield high grades consistent with the previously announced results and led the Company to plan for an additional 10,000 metres of drilling expected to be completed within the next six months.

The Company expects to have a NI 43-101 compliant technical report prepared for the Santana Project in the second half of calendar 2011 and a scoping study prepared by late calendar 2011 to early 2012.

MBAC began diamond drilling at Santana in December 2010 and has completed twenty-four (24) diamond drill HQ (67 mm diameter) holes following a 200 metre spaced grid inside the drill target area, which produced an average grade of 15% P₂O₅ for mineralized intervals averaging 13 metres in thickness within a sub-outcropping alteration zone. Mineralization has been intercepted in all but one of the first twenty-four diamond drill holes which are regularly distributed over a 2 km² open-ended anomaly area. These results are consistent with the Company's expectations following the systematic surface sampling, ground geophysics, diamond and auger drilling results reported previously.

CARMO PHOSPHATE PROJECT

During the nine month period, MBAC secured access to approximately 40,000 hectares by means of claim applications and option contracts for the acquisition of third party exploration tenements in the eastern Minas Gerais State in Brazil (“Carmo Phosphate Project”). Rock chips and channel sampling surrounding the Maxixe Plateau demonstrated the presence of mineralization all around it, with grades of up to 18% P₂O₅.

Follow-up of such positive results by means of systematic drilling led to validation of geological continuity as inferred from surface mapping however, preliminary results indicate grades in the range of 3 to 5% P₂O₅.

The drilling equipment has been de-mobilized for the time being and the prospect is to be evaluated once all analytical results are available.

ANEBA POTASH PROJECT (FORMERLY REFERRED TO AS REDSTONE PROJECTS)

During the nine month period, MBAC and Redstone Resources Limited (“Redstone”) entered into a settlement agreement to terminate the option agreements in respect of two (2) exploration projects known as the Apuí phosphate project and the Anebá Potash Project, and to distribute, at fair value, the interests in the project assets as follows:

- (a) MBAC transferred its 35% undivided beneficial interest in each of the projects to Redstone, and;
- (b) Redstone, in turn, transferred complete legal and beneficial title in four (4) tenements forming part of Anebá to MBAC. MBAC also granted Redstone a 1% net smelter return royalty on proceeds from any future commercial production from the four (4) Anebá tenements.

COASTAL POTASH PROJECT

During the nine month period, MBAC continued to evaluate the exploration permits for potash along the coast of Brazil and data acquired from the Brazilian Petroleum Agency. The Company continues to hold tenements related to the Sergipe coastal target area, where bona fide sylvinitic intercepts associated with large scale salt structures have been identified within 13 kilometres of the coast, under some 50 metres of water.

HIGHLIGHTS AND OVERALL PERFORMANCE

THREE MONTHS ENDED APRIL 30, 2011

Significant achievements during the quarter include:

- Completed a bought deal equity financing for aggregate gross proceeds of \$42,424 less transaction costs of approximately \$2,522.
- Received construction license for Itafós Arraias SSP Project.
- Recorded net loss of \$2,369 or \$0.03 loss per share compared to a loss of \$4,827 or \$0.07 loss per share in the comparative quarter.
- Investment in capital assets of \$4,923 during the quarter of which \$3,035 was invested in fixed assets and \$1,888 in exploration efforts.
- Recorded sales of \$774 for the quarter, an increase of 1,129% over the comparative quarter.
- Extracted 17,575 tonnes and produced 5,154 tonnes of phosphate during the quarter.
- Reported positive results from mineralization intercepted at all but one of the twenty-four drill holes at the Santana Project with an average grade of 15% P₂O₅.
- Cash balance of \$85.5 million as at April 30, 2011.
- Initiated efforts to secure “off-take agreements” targeting major customers.
- Developing a project construction management team.
- Opened a sales office in the Bahia State which is the main fertilizer distribution cluster in the area targeted by MBAC.
- Placed orders for several capital items including the sulphuric acid plant which is the longest lead item for the Itafós Arraias SSP Project.

	Three months ended April 30		Nine months ended April 30	
	2011	2010	2011	2010
Net income (loss)	\$ (2,369)	\$ (4,827)	\$ 2,054	\$ (20,317)
Stock-based compensation	633	1,508	3,216	10,777
Foreign exchange loss (gain)	(1)	(430)	23	318
Future income tax benefit related to the acquisition of Itafós *	-	-	(8,519)	-
Write-off of deferred exploration assets	-	1,347	751	1,347
Adjusted (loss) before income tax effects	(1,737)	(2,402)	(2,475)	(7,875)
Income tax effect of adjustments	-	-	-	-
Adjusted (loss)**	\$ (1,737)	\$ (2,402)	\$ (2,475)	\$ (7,875)
Basic adjusted (loss) per share	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.13)
Diluted adjusted (loss) per share	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.13)

* See “Income Taxes” section.

** See section on non-GAAP measures.

OUTLOOK AND STRATEGY FOR 2011

The Company's core objective is to be a significant integrated producer of phosphate and potash fertilizer in Brazil. The Company's primary focus is to construct and operate the Itafós Arraias SSP Project with commercial production targeted for Q1 2013. The project continues to advance on a timely basis. The Company received its construction license in March 2011 and has begun the earthworks and is preparing to erect the industrial complex. MBAC has also placed the order for the sulphuric acid plant and the ball mill which are the longest lead items for the Itafós Arraias SSP Project.

With the Itafós Arraias SSP Project well under way, MBAC continues to look for other opportunities in both phosphate and potash in Brazil to provide continued growth. In this regard, MBAC is aggressively pursuing a drilling campaign at its Santana phosphate project. The Santana Project is strategically located in close proximity to extensive farmland in the northern Mato Grosso State, one of the largest grain and soya producing states in Brazil and one of the fastest growing agricultural frontiers in the world. In addition, Santana is also located in a key geographical area for animal feed supplement business as MBAC can potentially produce DCP in the future. Early drill holes have produced results with grades as high as 30% P₂O₅ and averaging 15% P₂O₅ for mineralized intervals and 13 metres in thickness. The Company expects to have a NI 43-101 technical report prepared for this property by the second half of calendar 2011 and a scoping study prepared by late calendar 2011 to early 2012. The Company is also looking to add to its potash portfolio and is currently evaluating the potential of various potash opportunities in South America.

MBAC is committed to prudent and disciplined growth and continuous improvement of the value and returns of its various projects. The Company will also continue to focus on controlling costs and ensuring the effective management of capital expenditures. MBAC continues to consider and evaluate various opportunities that would be accretive to shareholder value.

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. The transaction constituted a reverse takeover transaction ("RTO") of the Company by FinCO for accounting purposes with FinCO as the acquirer. The consolidated financial statements of the Company reflect the continuation of the financial statements of FinCO, while the capital structure is that of the Company. Upon completion of the RTO, the Company changed its name to MBAC Fertilizer Corp.

FINANCIAL INFORMATION

The following selected financial data is derived from the interim consolidated financial statements of MBAC for the periods presented, which were prepared in accordance with Canadian GAAP:

RESULTS OF OPERATIONS

	Three months ended April 30		Nine months ended April 30	
	2011	2010	2011	2010
Revenue	\$ 774	\$ 63	\$ 3,993	\$ 1,427
Cost of sales	1,151	370	3,082	1,855
Gross profit (loss)	(377)	(307)	911	(428)
Operating expenses	2,851	4,427	11,354	19,205
Operating loss	(3,228)	(4,734)	(10,443)	(19,633)
Foreign exchange gain (loss)	1	430	(23)	(318)
Interest income	190	40	455	87
Realized gain on sale of available-for-sale securities	90	-	732	-
Other income (loss)	(19)	7	1	128
Write-off of deferred exploration assets	-	(1,347)	(751)	(1,347)
Loss before income taxes	(2,966)	(5,604)	(10,029)	(21,083)
Provision for (recovery) of income taxes - current	-	-	130	54
- future	(597)	(777)	(12,213)	(820)
	(597)	(777)	(12,083)	(766)
Net income (loss)	\$ (2,369)	\$ (4,827)	\$ 2,054	\$ (20,317)
Basic net income (loss) per common share	\$ (0.03)	\$ (0.07)	\$ 0.03	\$ (0.34)
Diluted net income (loss) per common share	\$ (0.03)	\$ (0.07)	\$ 0.03	\$ (0.34)

FOR THE THREE MONTHS ENDED APRIL 30, 2011

Revenue and cost of sales

MBAC extracted 17,575 tonnes (Q3 2010 - 22,804) of ore during the quarter ended April 30, 2011. The Company processed 5,154 tonnes (Q3 2010 - 3,600) of phosphate rock and sold 6,184 tonnes (Q3 2010 - 461) of processed phosphate, which generated revenue of \$774 (Q3 2010 - \$63) at an average selling price of \$125.16 per tonne (Q3 2010 - \$136.66 per tonne).

The company realized gross profit before idle capacity charges of \$200 (Q3 2010 - \$(16)), however, due to lower than normal levels of production during the quarter, the company continued to incur fixed overhead costs associated with the Itafos Campos Belos RNP operations. Accordingly, idle capacity charges of \$577 (Q3 2010 - \$291) were charged to cost of sales during the quarter.

	Q3 2011	
Sales	\$ 774	100 %
Cost of sales before idle capacity costs	574	74 %
Gross profit before idle capacity costs	200	26 %
Idle capacity costs	577	75 %
Gross loss	\$ (377)	(49)%

Operating Expenses

a) Selling, general and administrative expenses

Selling, general and administrative expenses during the quarter were \$2,218 (Q3 2010 - \$2,919). The majority of these expenses were attributable to salaries and labour taxes of \$1,124 (Q3 2010 - \$1,193), office & general expenses of \$674 (Q3 2010 - \$380) and professional fee of \$261 (Q3 2010 - \$557).

b) Stock-based compensation

During the quarter, no stock option awards were granted. The current and future recognition of the stock-based compensation is, and will be, expensed using the graded vesting method of accounting. Under this method, the expense is recognized based on the vesting date of each option with a corresponding increase in contributed surplus. The Company recognized a total expense of \$633 for the quarter.

Provision for (recovery of) future income taxes

A future tax recovery of \$597 has been recognized during the quarter in respect of operating losses of a wholly-owned foreign subsidiary that are available for carry-forward.

Net income (loss)

Loss for the quarter was \$2,369 compared to a net loss of \$4,827 in the comparative quarter.

FOR THE NINE MONTHS ENDED APRIL 30, 2011

Revenue and cost of sales

During the nine month period, MBAC extracted 52,220 tonnes of ore compared with 22,804 tonnes during the first nine months of fiscal 2010. The Company processed 36,584 tonnes of phosphate rock compared with 19,029 tonnes in the comparative period. The Company sold 32,161 tonnes of processed phosphate, which generated revenue of \$3,993 at an average selling price of \$124.16 per tonne. This compared to the 15,185 tonnes the Company sold in the same period last year generating revenue of \$1,427 at an average selling price of \$93.97 per tonne.

Gross margin for the nine month period was 22.8%, which represents an increase of 176% over the comparative period. The increase is primarily due to higher prices and higher sales volumes. In addition, inventories on hand from the acquisition of Itafós, which were recorded at fair market value, were totally depleted at the beginning of the nine month period, resulting in lower cost of sales during the nine month period compared to the comparative period.

Notwithstanding lower than normal levels of production during the nine month period, primarily during the quarter, which was direct result of the effect on operations of the rainy season, the Company continued to incur fixed overhead costs associated with the Itafós Operations. Accordingly, idle capacity costs of \$1,373 (nine months ended April 30, 2010 - \$849) were charged to cost of sales for the nine month period.

Operating Expenses

a) Selling, general and administrative expenses

Selling, general and administrative expenses were \$8,138 compared to \$8,428 during the comparative period ended April 30, 2010. The majority of these costs were attributable to salaries and labour taxes of \$5,586 (nine months ended April 30, 2010 - \$4,101), professional fees of \$825 (nine months ended April 30, 2010 - \$1,988) and office & general expenses of \$682 (nine months ended April 30, 2010 - \$330).

b) Stock-based compensation

During the nine months ended April 30, 2011, stock option awards were granted to one executive officer and one director. At the date of grant, the aggregate fair market value of these awards was \$821 (nine months ended April 30, 2010 - \$15,452). The current and future recognition of the stock-based compensation is, and will be, expensed using the graded vesting method of accounting. Under this method, the expense is recognized based on the vesting date of each option with a corresponding

increase in contributed surplus. In addition, the Company recognized a total of \$3,216 for the nine month period (nine months ended April 30, 2010 - \$10,777).

Write-off of deferred exploration assets

During the nine month period, the Company decided to relinquish approximately 776,000 hectares of the Coastal Potash Project exploration permits. Deferred costs of \$751 were written-off.

Provision for (recovery of) future income taxes

During the nine month period, the Company effected a merger of two (2) foreign subsidiaries. As a result, \$8,519 was recognized as a future tax asset, representing the tax benefit relating to the excess purchase price paid for the acquisition of one of the subsidiaries over the net book value of the net identifiable assets. In addition, during the nine month period a future tax recovery of \$3,809 has been recognized in respect of operating losses of a wholly-owned foreign subsidiary that are available for carry-forward.

Net income (loss)

Net income for the nine month period was \$2,054 compared to a net loss of \$20,317 in the comparative nine month period. During the nine month period MBAC realized a gain of \$732 associated with the sale of available-for-sale securities.

FINANCIAL CONDITION

The following selected financial data is derived from the interim consolidated financial statements for the periods presented.

BALANCE SHEET

	April 30, 2011	July 31, 2010
Cash	\$ 85,476	\$ 63,349
Other current assets	4,825	2,799
Investments	168	564
Mineral properties and exploration rights	63,084	45,305
Exploration and evaluation assets	3,249	15,399
Other property, plant and equipment	15,230	9,898
Total assets	\$ 172,032	\$ 137,314
Current liabilities	\$ 2,957	\$ 3,363
Future income tax liabilities	3,273	15,254
Asset retirement obligations	85	51
Total liabilities	6,315	18,668
Shareholders' equity	165,717	118,646
Total liabilities and equity	\$ 172,032	\$ 137,314

Assets

Total assets include cash of \$85,476, the majority of which represents the unused proceeds from brokered private placements and a bought deal equity financing. Other significant assets are described below.

Capital assets

During the quarter, MBAC acquired and constructed property, plant and equipment of \$3,035 (Q3 2010 - \$1,832). For the nine month period, the Company acquired and constructed property, plant and equipment of \$5,623 (nine months ended April 30, 2010 - \$5,327). Depreciation and depletion of property, plant and equipment and mineral properties for the quarter was \$366 (Q3 2010 - \$85). For the nine month period, the Company expensed depreciation and depletion of \$604 (nine months ended April 30, 2010 - \$210).

Liabilities

Total liabilities are comprised of accounts payable, deferred revenue, asset retirement obligation, and future income taxes. Accounts payable primarily include \$1,335 (July 31, 2010 - \$906) in trade payables, and \$826 (July 31, 2010 - \$1,925) in wages and labour taxes. Deferred revenue of \$88 (July 31, 2010 - \$188) represents prepayments from customers for goods to be delivered. The future tax liability of \$3,273 (July 31, 2010 - \$15,254) comprises the future income taxes that arose on the acquisition of the Itafós, net of future income tax assets resulting from available tax loss carry-forwards and the deductible premium paid over the net book value of the Itafós assets acquired. In future years, as these assets are depleted or depreciated, the future tax liabilities will reverse and be credited to income (see "Income Taxes" section).

Shareholders' Equity

	April 30, 2011	July 31, 2010
Share capital	\$ 179,633	\$ 139,731
Contributed surplus	17,480	14,264
Accumulated other comprehensive income	4,075	2,176
Deficit	(35,471)	(37,525)
	\$ 165,717	\$ 118,646

CASH FLOW INFORMATION

	Three months ended April 30		Nine months ended April 30	
	2011	2010	2011	2010
Cash flows used in operating activities	\$ (1,834)	\$ (3,296)	\$ (8,589)	\$ (7,807)
Cash flows used in investing activities	(4,822)	(6,934)	(9,224)	(14,654)
Cash flows from financing activities	39,902	50	39,902	53,975
Foreign currency effect on cash	(7)	(9)	38	(94)
Increase (Decrease) in cash	\$ 33,239	\$ (10,189)	\$ 22,127	\$ 31,420

Three months ended April 30, 2011

Operating activities

Cash outflow to operating activities of \$1,834, net of contributions from other items not affecting cash of \$311 financed the net loss for the quarter of \$2,369 and non-cash working capital items of \$224.

Investing activities

During the quarter, the Company invested \$4,822 of cash, comprised primarily of investments in property, plant and equipment totalling \$3,035 (Q3 2010 - \$1,832), and exploration, evaluation and mine development expenditures of \$1,888 (Q3 2010 - \$5,222).

Exploration expenditures totalling \$1,888 were capitalized during the quarter. Below is a summary of these expenditures:

	Three months ended April 30		Nine months ended April 30	
	2011	2010	2011	2010
Geological	\$ 666	\$ 1,110	\$ 1,666	\$ 2,426
Engineering	29	92	43	330
Drilling	633	2,959	1,002	3,866
Consulting	139	137	141	240
Permitting	26	155	336	1,519
Lab analysis	206	671	469	1,005
Other	189	98	435	189
	\$ 1,888	\$ 5,222	\$ 4,092	\$ 9,575

Financing activities

During the quarter, MBAC raised net cash proceeds of approximately \$39,902 (Q3 2010 - Nil) through issuance of common shares pursuant to a bought-deal equity financing.

Nine months ended April 30, 2011

Operating activities

Though the Company earned net income of \$2,054 during the nine month period, it financed \$8,341 of non-cash items affecting net income (substantially comprising the future income tax recovery), and \$2,302 of non-cash working capital items, resulting in \$8,589 of cash used to finance operating activities.

Investing activities

During the nine month period, the Company invested \$9,224 of cash, comprised primarily of investments in property, plant and equipment totalling \$5,623 (nine months ended April 30, 2010 - \$5,327), and expenditures in exploration, evaluation and mine development expenditures of \$4,388 (nine months ended April 30, 2010 - \$9,575).

Financing activities

During the nine month period, MBAC raised net cash proceeds of approximately \$39,902 (nine months period ended April 30, 2010 - \$53,975) through issuance of common shares pursuant to a bought-deal equity financing.

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Net Sales	\$ 774	\$ 957	\$ 2,262	\$ 24
Net income (loss) – total	\$ (2,369)	\$ 6,574	\$ (2,151)	\$ (15,807)
Basic net income (loss) – per share	\$ (0.03)	\$ 0.09	\$ (0.03)	\$ (0.22)
Total assets	\$ 172,032	\$ 132,815	\$ 137,144	\$ 137,314

	Three months ended			
	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Net Sales	\$ 63	\$ 388	\$ 967	\$ 59
Net loss – total	\$ (4,827)	\$ (8,866)	\$ (6,630)	\$ (1,007)
Basic net income (loss) – per share	\$ (0.07)	\$ (0.15)	\$ (0.13)	\$ (0.09)
Total assets	\$ 150,798	\$ 153,749	\$ 108,140	\$ 105,559

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 presentation of adjusted non-GAAP 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, (b) foreign exchange gains or losses related to intercompany loans, (c) write-off of deferred exploration assets and (d) unusual and non-recurring future income taxes recovery or expense. 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 April 30, 2011 was \$85,476 compared to \$63,349 at July 31, 2010. 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.

On February 24, 2011 the Company completed a bought deal financing and issued 13,685,000 common shares of the Company for aggregate gross proceeds of \$42,424 less transaction costs of approximately \$2,522. The net proceeds are intended to be used to advance the Itafós Arraias SSP Project and the exploration of the Santana Project.

EXPECTED SOURCES AND USES OF FUNDS

For the current fiscal year, management expects that it will require approximately \$38 million to fund early-stage development and construction costs related to the Itafós Arraias SSP Project and sustaining capital, approximately \$2 million in planned exploration activities and \$1 million to fund operating activities including working capital.

The Company expects that its cash on hand as at April 30, 2011 will be sufficient to fund the aggregate expenditure requirements of approximately \$41 million to the end of the current fiscal year.

In consideration of the aggregate capital and non-capital requirements extending beyond July 31, 2011, management is actively pursuing both debt and equity financing solutions, primarily to fund the completion of the Itafós Arraias SSP Project. The Company has received term sheets from Banco Itaú BBA S.A. (“Itaú BBA”) and the Internal Finance Corporation for project financing facilities, the proceeds from which, together with the Company’s cash on hand, are expected to fund substantially all of the projected capital expenditures for the Itafós Arraias SSP Project (see Itafós Arraias SSP Project – SSP facility – Project Economics section).

The Company’s ability to complete the Itafós Arraias SSP Project could be impaired by certain circumstances such as material foreign exchange variations, increase in steel prices that may increase forecasted capital expenditures, availability of sufficient financing for the Company and a material decrease in the SSP price.

CAPITALIZATION

Shareholders’ equity as at April 30, 2011 was \$165,717. As at April 30, 2011, MBAC had 86,374,336 common shares issued and outstanding.

STOCK-BASED INCENTIVE PLANS

The Company has established a stock option plan (the “Stock Option Plan”) designed to provide a long-term incentive to employees, officers, directors and consultants of the Company. The maximum number of options that may be issued under the Stock Option Plan cannot exceed the number that is equal to 10% of the issued and outstanding common shares at the date of grant. The Stock Option Plan was adopted by the directors on June 10, 2009, and was approved by the shareholders of the Company on July 9, 2009. The vesting period of the awards under the plan are determined by the Board of Directors. Also, share purchase options granted under the Stock Option Plan cannot have an exercise price that is less than the trading price of the common shares on the day immediately preceding the grant date, and are exercisable for a period to be determined by the Board.

During the quarter and the nine month period, the Company issued NIL and 890,758 share purchase options, respectively. For the quarter and nine month period, total fair market values of \$NIL and \$821, respectively, were estimated for these share purchase options. In addition, the Company recognized a total expense of \$633 for the quarter and \$3,216 for the nine month period (Q3 2010 and nine month period ended April 30, 2010 - \$1,508 and \$10,777, respectively) in compensation expense and a corresponding increase in contributed surplus. Under the Company’s Stock Option Plan, 400,000 stock options to purchase common shares were available for issuance as at April 30, 2011.

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

	Nine months ended April 30, 2011	
	Number of options	Weighted average exercise price
Outstanding, beginning of period	7,123,550	\$ 2.69
Granted	890,758	2.46
Exercised	-	-
Outstanding, end of period	8,014,308	\$ 2.67
Exercisable	6,465,601	\$ 2.54

The following common shares and common share options of the Company were outstanding at June 9, 2011:

	Expiry date	Exercise price	Securities outstanding	Common shares on exercise
Common shares	-	-	86,374,336	-
Options	Aug 12'09 to Nov 27'14	\$2.40 to \$3.75	8,014,308	8,014,308

CONTRACTUAL OBLIGATIONS

The following table lists information with respect to the Company's contractual obligations and respective payment due by period, as at April 30, 2011:

	Total	Less than			
		1 year	1 -3 years	4 -5 years	Thereafter
Mine operating/construction and service contracts	\$ 971	\$ 819	\$ 101	\$ 51	\$ -
Asset retirement obligations	85	-	-	-	85
Office leases	457	145	234	78	-
	\$ 1,513	\$ 964	\$ 335	\$ 129	\$ 85

FOREIGN EXCHANGE

MBAC's Brazilian operations are denominated in Brazilian Reais ("BRL" or "R\$"), the functional currency of the Brazilian entities. Accordingly, fluctuations in the exchange rates can significantly impact (a) the consolidated results of operations and (b) the consolidated 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.

For the three months ended April 30, 2011, MBAC recognized an unrealized foreign exchange gain of \$1. This compared to a gain of \$430 recognized in the same period last year. For the nine months ended April 30, 2011 the Company recognized an unrealized foreign exchange loss of \$23 (nine months ended April 30, 2010 - loss of \$318). The BRL strengthened by 1.1% against the Canadian dollar during the quarter and strengthened by 3.4% over the course of nine months ended April 30, 2011, resulting in a gain in other comprehensive income of \$815 for the three months and a gain of \$2,212 for the nine months ended April 30, 2011 on translation of the Brazilian entities, compared to a Cumulative Translation Adjustment ("CTA") gain of \$893 and \$526 for the comparative periods.

OFF-BALANCE SHEET ARRANGEMENTS

As at April 30, 2011, MBAC did not have any off-balance sheet arrangements.

INCOME TAXES

MBAC's combined Canadian federal and provincial statutory tax rate was 29.4%. 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 the Company's statutory rate to the effective tax rate is provided in Note 7 to the interim consolidated financial statements for the quarter ended April 30, 2011.

On January 31, 2011, a wholly-owned foreign subsidiary of MBAC merged into its wholly-owned subsidiary which entitled the Company to a tax deduction equal to the excess purchase price paid for the acquisition of the Itafós assets over the net book value of the net realizable assets at the time of the initial acquisition in October 2008. The deduction gives rise to a future tax benefit of \$8,519, which, though realizable over the estimated life of the mineral reserve, was recorded during the quarter ended January 31, 2011. As the tax deduction is utilized in future years, the tax asset will be reduced accordingly.

A future tax recovery of \$597 has been recognized during the quarter (\$3,809 for the nine month period) in respect of operating losses of MBAC's wholly-owned subsidiary that are available for carry-forward.

The interpretation of tax regulations and legislation and their application to the Company's business is complex and subject to change. Accordingly, the Company's ability to realize future income tax assets, could significantly affect net income or cash flow in future periods.

CRITICAL ACCOUNTING POLICIES AND 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. There has been no change in accounting policies since the Company's most recent year end. Readers are encouraged to read the accounting policies particularly described in the Company's Audited Consolidated Financial Statements and MD&A for the year ended July 31, 2010.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") CHANGEOVER PLAN

The Company continues to monitor the deliberations and progress on transition 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.

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.

At the conclusion of the most recently completed financial year, the Company completed an initial assessment and described the major differences identified by this assessment in the following areas of potential differences: *First time adoption of IFRS, Presentation of Financial Statements, Impairments, Asset Retirement Obligations, Stock-based Compensation, Functional Currency Determination, Exploration Expenditures, Property Plant and Equipment and Income Taxes*. Readers are encouraged to read the Company's annual MD&A for the year ended July 31, 2010 for further information.

During the nine month period, with the assistance of a professional services firm that was engaged by MBAC, the Company completed the scoping and diagnostics and finalized the detailed component evaluations for the key areas where Canadian GAAP and IFRS differences are expected to arise. The Company is now in the process of finalizing key conversion decisions and calculating the impact of conversion on the Company's financial statements. The Company is also designing a process to provide reasonable assurance on the internal controls in place relating to the conversion process and changes to existing controls as a result of the transition to IFRS.

The following table summarizes the key elements of the company's plan for transitioning to IFRS and the progress made against each activity.

Key Activities	Milestones	Status
Accounting policies and procedures:		
<ul style="list-style-type: none"> Identify differences between IFRS and the Company's existing policies and procedures. Analyze and select ongoing policies where alternatives are permitted. Analyze and determine which IFRS 1 exemptions will be elected on transition to IFRSs. 	<ul style="list-style-type: none"> Senior management approval and audit committee review of policy decisions. Revised accounting policy and procedures in place by changeover date. 	<ul style="list-style-type: none"> Conclusions on IFRS 1 exemptions have been made. Certain accounting policy decisions are currently under review and are planned to be finalized during Q4 2011. Revisions to accounting and procedures will be drafted as work on each area of IFRS progresses.
Financial statement preparation:		
<ul style="list-style-type: none"> Prepare financial statements and note disclosures in compliance with IFRS. Quantify the effects of converting to IFRS. Prepare first-time adoption reconciliations required under IFRS 1. 	<ul style="list-style-type: none"> Senior management approval and audit committee review of preliminary skeleton interim financial statements and disclosures. 	<ul style="list-style-type: none"> Preliminary skeleton interim statements and note disclosures are planned to be prepared and reviewed during Q4 2011.
Training and communication:		
<ul style="list-style-type: none"> Provide topic-specific training to key employees involved with implementation. Develop awareness of the likely impacts of the transition throughout the company. Provide company-specific training on revised policies and procedures to affected personnel. 	<ul style="list-style-type: none"> Ongoing training to key personnel as needed. 	<ul style="list-style-type: none"> During the quarter, a professional services firm trained our accounting staff in Brazil. Further training will be procured as deemed necessary.
Business impacts:		
<ul style="list-style-type: none"> Identify impacts of conversion on financial covenants, executive compensation and contracts. 	<ul style="list-style-type: none"> Financial covenant, executive compensation and contract analysis to be completed. Taxation impacts to be identified prior to changeover. 	<ul style="list-style-type: none"> Financial covenant and contract analysis to be completed prior to changeover date Income tax accounting impacts identification is planned for Q4 2011.
IT systems:		
<ul style="list-style-type: none"> Identify changes required to IT systems and implement solutions. Determine implementation solution for capturing financial information under Canadian GAAP and IFRS during the year of transition to IFRS (for comparative information). 	<ul style="list-style-type: none"> Necessary changes to IT systems implemented by changeover date Solution for capturing financial information under Canadian GAAP and IFRSs prior to changeover date. 	<ul style="list-style-type: none"> Required changes to IT systems in conjunction with an upgrade to the company's financial information system in Toronto has been started already and planned for completion in Q4 2011.

Control environment:		
<ul style="list-style-type: none"> Maintain effective Disclosure Controls & Procedures and Internal Controls over Financial Reporting throughout the IFRS project. Design and implement new IFRS processes and controls. 	<ul style="list-style-type: none"> Incremental controls to be developed to reflect the change in accounting standards. Redesigned business process standards and controls to be in place prior to changeover date, as required. 	<ul style="list-style-type: none"> Impact assessment of IFRS technical accounting differences on financial reporting risks, procedures, systems and controls to be completed prior to changeover date. Business processes including controls will be assessed and redesigned (as needed) as the project progresses.

IFRS 1 ELECTIONS

In order to simplify the transition to IFRS, the Company will utilize certain exemptions from the full retrospective implementation of all IFRS accounting standards as provided for in IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”). In particular, the Company expects to apply IFRS 1 elections for business combinations, share-based compensation payments, environmental rehabilitation provisions, cumulative translation account and the use of fair value as deemed cost for certain items of property, plant and equipment. A summary of each of these IFRS 1 elections is provided below.

i) Business combinations

The Company will elect to utilize the option in IFRS 1 to not apply IFRS 3R, Business Combinations retrospectively to business combinations completed prior to July 31, 2010. The impact of this policy decision is that all prior business combinations will continue to be accounted for as they were under Canadian GAAP. As a result of this election, there was no expected impact on MBAC’s opening balance sheet due to the transition to IFRS.

ii) Environmental rehabilitation provision

IFRS 1 allows for a simplified approach for historic changes when estimating environmental rehabilitation provision between initial inception of the liability and the adoption of IFRS, as well as the corresponding asset. The Company will elect to utilize this option to simplify the conversion process. The Company expects to complete the quantification of the change in the environmental provision in Q4 2011.

iii) CTA

IFRS 1 offers the first-time adopter of IFRS the option to reclassify the CTA currently recorded in accumulated other comprehensive income directly to retained earnings on transition to IFRS as an alternative to full retrospective application of IAS 21, The Effects of Changes in Foreign Exchange Rates. The Company will elect to apply this exemption and reset the CTA balance to NIL as of July 31, 2010, resulting in the transfer of approximately \$1,833 of CTA to our deficit balance as at that date.

iv) Fair value as deemed cost

IFRS 1 allows a first-time adopter of IFRS to record certain assets at fair value on transition to IFRS as an alternative to the full retrospective application of applicable IFRSs. The fair value of these assets is deemed to be their cost base for accounting purposes as of that date or an earlier date. This option is available on an individual asset basis. The Company has decided to not take this election and maintain the assets at their respective cost base.

CONVERSION TIMELINE

MBAC will be required to adopt IFRS from August 1, 2011 (fiscal 2012), including interim periods in fiscal 2012. Comparative interim and annual information will be required for the year ending July 31, 2011 as well as an opening balance sheet as at August 1, 2010 prepared in accordance with IFRS.

RELATED PARTY TRANSACTIONS

The Company did not enter into any new related party transactions outside of the normal course of operations during the quarter or the nine month period.

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 fundamentals for the phosphate market remain strong. Di-ammonium phosphate ("DAP") prices FOB Tampa, Florida is one of the benchmarks the industry uses for phosphate pricing. DAP fertilizer prices have remained strong with recent prices of approximately US\$610 per tonne at the end of April 2011 – up 32% from the same period last year. The strong pricing is being driven by primarily by high grain prices.

According to CONAB (National Supply Company – A Brazilian Government Entity), Brazil is expecting to harvest 157 Mt of grain in 2011 which represents an increase of 8.2 Mt over 2010. Total agribusiness exports from March 2010 to March 2011 were \$79 billion which resulted in a new high for exports. Farming sector export sales of \$76 billion in 2010 was the best year for export sales in agribusiness on record in Brazil.

According to ANDA (National Association of Fertilizer Producers - Brazil), total consumption of fertilizer in Brazil January to March of 2011 was 5.0 Mt, which is significantly higher than 4.1 Mt and 4.5 Mt in 2010 and 2009 respectively. Total fertilizer consumption for 2011 according to some estimates could reach 25.9 Mt compared to 24.5 Mt for the year 2010.

Demand for phosphate is expected to remain strong for the remainder of 2011. SSP prices in the Company's target region in March were approximately US\$380 per tonne significantly above the US\$250 price used in the Definitive Feasibility Study released in the fall of 2010.

RISKS AND UNCERTAINTIES

There were no changes to the Company's exposure to risks and other uncertainties as described in the July 31, 2010 year end "Management's Discussion and Analysis".

DISCLOSURE CONTROLS AND PROCEDURES

Both the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have assessed the design of the Company's internal controls over financial reporting as at April 30, 2011, 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 effective. There has been no change in the Company's disclosure controls and procedures during the three months ended April 30, 2011 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 the Company's 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.

For the three and nine months ended April 30, 2011, there have been no significant changes to the internal control over financial reporting other than the implementation of certain key controls in connection with the capital expenditure transactions in respect of the Itafós Arraias SSP Project.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the President and CEO and the Vice President, Finance and CFO, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, and 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.

QUALIFIED PERSON

Unless otherwise indicated, Dr. Luiz A. Bizzi, PhD, MBA, Vice-President, Exploration of MBAC, is the qualified person, within the meaning of National Instrument 43-101, who has reviewed and approved the scientific and technical information contained in the MD&A.

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, without limitation, 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;
- expected timelines for the completion of the Itafós Arraias SSP Project;
- expected capital costs associated with the Itafós Arraias SSP Project;
- the expectation that proceeds from a project financing facility will fund substantially all of the projected capital expenditures;
- the expectation that cash flows from the Itafós Arraias SSP Project will support borrowing under a project financing facility;
- projections in connection with future agricultural exports, fertilizer demand and fertilizer consumption in Brazil;
- the Company’s expectation that it will achieve its objective of producing approximately 500,000 tonnes per year of SSP during the second half of calendar 2012;
- the Company’s expectations for future use of funds;
- projections of future levels of taxable income;
- the Company’s plans to achieve the first 10,000 metres of drilling at the Santana Project within the next three months;
- the Company can potentially produce Dicalcium Phosphate (“DCP”) in the future;
- expected timeline for having a NI 43-101 compliant technical report for the Santana Project; and
- the expectation of the sufficiency of capital resources to fund all projected capital expenditures for the Itafós Arraias SSP Project.

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 statements are made, 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: exploration, development and operating risks; environmental risks and hazards; risks in connection with current global financial conditions; uncertainty with respect to the estimation of mineral reserves and mineral resources; uncertainty with respect to inferred mineral resources; fluctuations in commodity prices; infrastructure risks; the Company’s ability to obtain all necessary permits; insurance and uninsured risks; risks relating to potential disputes to the Company’s title to its properties; the possibility that the Company’s concessions may be terminated in certain circumstances; competition with other companies possessing greater financial and technical resources than MBAC; risks relating to additional capital requirements; currency fluctuations; potential write-downs and impairments; litigation risks; risks relating to future acquisitions and the integration of these acquisitions into the Company’s business structure; risks relating to governmental regulation of the mining industry; risks relating to the Company’s foreign operations; risks relating to labour, employment and other workforce matters; risks relating to the transfer of cash and assets to and from MBAC’s foreign subsidiaries; the Company’s dependence upon key management personnel and executives; possible conflicts of interests of the Company’s directors and executive officers; possible damage to the Company’s reputation; risks relating to potential malicious acts of destruction to the Company’s property; risks relating to weather and climate change; volatility with respect to the Company’s stock price; uncertainty with respect to the commercial viability of phosphate and potash ore deposits; uncertainty with respect to mine development and completion; uncertainty with respect to the accuracy of estimates in the DFS Technical Report; operating and political risks; credit risks; risks relating to the Company’s equipment and supplies; and uncertainty with respect to the Company’s ability to obtain sufficient financing in order to continue its proposed business plan. 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.