

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



*(formerly Sandwell Mining Ltd.)*

**For the Three and Nine months ended April 30, 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 nine months ended April 30, 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 is 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 June 8, 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](http://www.sedar.com).*

*Throughout this MD&A, reference to the "Period" or "Q3 2010" or the "three-month period" shall refer to the period from January 31, 2010 to April 30, 2010. Reference to the "nine-month period" shall refer to the period from July 31, 2009 to April 30, 2010. Moreover, unless otherwise stated, all references to "year", "quarter" or "period" shall refer to the fiscal year, quarter or period, as the case may be.*

### CORE BUSINESS

MBAC Fertilizer Corp (formerly known as Sandwell Mining Ltd. ("Sandwell")), is a Canadian-based company presently with a vision of becoming a significant integrated producer of phosphate and potash fertilizers for sale in the Latin-American market. The Company is currently focused on the development of a value-added phosphate fertilizer operation located in the central part of Brazil. The Company's plan is to more effectively exploit its mineral resources and become a significant producer of Single Super Phosphate ("SSP") in the Brazilian market. The Company has decided to proceed with the development and construction of a substantial SSP production facility comprising a mill, a beneficiation plant, a sulphuric acid plant and an SSP plant and a granulation plant (the "Itafós Expansion Project"). Once complete, the facility is estimated to have production capacity of 500,000 tonnes of SSP per annum. The Company presently operates a small-scale single phosphate mine and a mill and treatment plant facility (the "Itafós Project") where the phosphate rock is mined, processed and sold to local farmers for direct application. In addition, the Company is engaged in the exploration of various other assets including phosphate and potash opportunities throughout Brazil.

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. 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.

Further to the RTO, the interim consolidated financial statements of MBAC for the nine months ended April 30, 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

#### **Itafós Project – current operations**

During the quarter, and for the first time since the acquisition of Itafós, we resumed mining activity, though at a slower than expected pace due to a prolonged rain season. We have mined approximately 22,000 tonnes of rock.

In addition, with improvements and upgrades to the processing plant now substantially complete, we resumed production in late April, and processed approximately 3,600 tonnes of phosphate rock, bringing year-to-date production for 2010 to 19,029 tonnes.

Beginning next quarter we expect an increase in demand which is consistent with the commencement of the fertilizer application season in Central Brazil.

#### **Itafós Expansion Project – SSP facility**

During the quarter, MBAC decided to proceed with the development and construction of the Itafós Expansion Project, which is proposed to be sited in the state of Tocantins. The decision was based on the results of the National Instrument 43-101 (“NI 43-101”) compliant technical report (the “Technical Report”) which was prepared by GRD Minproc Engenharia e Consultoria Ltda. (“AMEC Minproc”) and provides an analysis of the technical and capital cost considerations.

The Technical Report incorporates the results of a resource estimate report prepared by Wardrop, a Tetra Tech Company (“Wardrop”), a mining plan prepared by NCL (Brazil) and a market report by MB Agro (Brazil). The Technical Report compiles the results of a comprehensive evaluation of the resource base, mining plan, beneficiation, sulphuric acid, SSP and granulation plants. The Technical Report indicates that the Itafós Expansion Project will be profitable with positive economics from mining and beneficiation of the phosphate ore to 28% rock phosphate concentrate suitable for SSP fertilizer production.

Near-term milestones for the Itafós Expansion Project include:

- continuing to drill in Near Mine and surrounding areas with the goal of migrating further inferred mineral resources to measured mineral resources and indicated mineral resource categories and completing an updated resource estimate by July 2010;
- further optimization of the mine plan by July 2010;
- commencing detailed engineering work immediately; and
- beginning to negotiate long-lead capital items immediately and settle final terms by July 2010.

MBAC is also negotiating with Brazilian government organizations to obtain fiscal incentives and is in conversations with local public and private financial institutions in relation to equipment and/or project financing.

#### ***Highlights of the Technical Report***

All results and conclusions of the Technical Report are based solely on measured mineral resources and indicated mineral resources (“M&I”) (i.e. 28 Mt M&I (which converts into 24.4 Mt @ 4.4% P<sub>2</sub>O<sub>5</sub> of proven mineral reserves and probable mineral reserves (“P&P”)), with no consideration for any potential economic upside or extended mine life that may result from the migration from inferred mineral resources or mining optimization opportunities. The Technical Report supports an open-pit mining operation, whereby ore is delivered to an on-site facility for crushing, grinding and flotation concentration of the phosphate ore. The flotation concentrate is then further reacted with sulphuric acid at a facility adjacent to the mining facility.

We estimate having SSP production capacity of 500,000 tonnes per annum. This is premised on the following:

- mining 3.6 million tonnes of rock;
- using flotation to beneficiate the ore grade to 28% yielding 330,000 tonnes per annum concentrate;
- purchasing 57,000 tonnes of sulphur per annum; and
- producing 170,000 tonnes of sulphuric acid per annum.

Based on the foregoing, the Technical Report estimates the Itafós Expansion Project to yield an Internal Rate of Return (“IRR”) of 26.3%. Moreover, the Technical Report details a total expected capital cost, including G&A, start-up and reclamation costs, of US\$169 million (± 20%) comprising US\$126 million in equipment and other project costs, US\$24 million in taxes, part of which may be refunded, and US\$19 million in contingencies. The Technical Report also contemplates an additional US\$19 million for mine preparation and pre-stripping costs.

### ***Project economics***

The Technical Report indicated that the project is viable with robust returns and a short payback period.

The planned expansion comprises a new mine, processing plant facilities, sulphuric acid plant and SSP plant with expected production capacity of 500,000 tonnes per annum; commercial production of SSP is estimated to commence in 2012. Several concurrent analyses to evaluate the technical and economic feasibility of the planned expansion were undertaken and an independent engineering firm was engaged to conduct a comprehensive definitive feasibility study (the “Definitive Feasibility Study”) comprising further engineering studies in several areas, including 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, additional metallurgical, pilot plant and column flotation tests on phosphate samples are being conducted at the mine site. The Definitive Feasibility Study is expected to be completed by July 2010.

Capital expenditures for fiscal 2010 are expected to be approximately US\$16.5 million, the majority of which will be in respect of engineering and procurement of equipment in connection with the proposed beneficiation, sulphuric acid and SSP plants. MBAC expects to commence construction of the plants in the latter part of calendar 2010 or early calendar 2011.

## **Exploration projects**

### **Itafós**

#### **Mineral properties and exploration rights – Near Mine block**

During the Period, MBAC continued drilling and resource assessment program which forms the basis for the proposed expansion of the areas previously prospected and targeted for near term extraction (the “Near Mine block”).

A comparison of drilling activities up to March 15<sup>th</sup>, 2010 relative to previous calendar years is included below:

<b>Calendar Years</b>	<b>Core</b>		<b>Reverse Circulation</b>		<b>Total</b>	
	<b>Holes</b>	<b>m</b>	<b>Holes</b>	<b>m</b>	<b>Holes</b>	<b>M</b>
2008	198	7,014	-	-	198	7,014
2009	373	14,505	3	63	376	14,568
2010, to March 15	119	3,580	845	29,545	964	33,125
<b>Totals</b>	<b>690</b>	<b>25,099</b>	<b>848</b>	<b>29,608</b>	<b>1,538</b>	<b>54,707</b>

Wardrop was commissioned to complete a NI 43-101 compliant mineral resource estimate of the Itafós Expansion Project focused on P<sub>2</sub>O<sub>5</sub> M&I resource base within a core area of approximately 25 km<sup>2</sup> and on inferred mineral resources identified within the remaining Near Mine block area.

Wardrop estimated that the Near Mine block areas contains 28.3 Mt of M&I resources averaging 4.3% P<sub>2</sub>O<sub>5</sub> at a 2.8% P<sub>2</sub>O<sub>5</sub> cut-off grade as per the table below:

	Density t/m <sup>3</sup>	Tonnage Mt	P <sub>2</sub> O <sub>5</sub> %	Al <sub>2</sub> O <sub>3</sub> %	CaO %	Fe <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %
Measured mineral resources	1.54	16.5	4.4	9.1	7.8	4.4	63.4
Indicated mineral resources	1.54	11.8	4.2	9	7.6	4.2	63.1
M&I	1.54	28.3	4.3	9	7.7	4.3	63.3
Inferred mineral resources	1.55	4.2	4.1	8.7	6.5	4.6	65.0

*Notes:*

1. Mineral resources prepared on April 12, 2010 on the basis of assay data submitted up to March 26, 2010.
2. Estimates above refer only to the Near Mine blocks consisting of the Coité, Gauchó, Juscelino, São Bento, and Mateus zones.
3. These mineral resources have been calculated using Ordinary Kriging interpolation and a block size of 12.5m by 12.5m by 3m.
4. The cut-off grade of 2.8% P<sub>2</sub>O<sub>5</sub> is based on current pricing and economic parameters for phosphate products, an average metallurgical recovery of 57% for material averaging 4.4% - 5.5% P<sub>2</sub>O<sub>5</sub>, operating costs estimated by NCL Ltda and GRD Minproc, and other considerations.

Using a conventional 2D polygonal method on plan, Wardrop estimated additional inferred mineral resources for five (5) other zones adjacent to the Near Mine blocks, as follows:

	Tonnes	P <sub>2</sub> O <sub>5</sub> , %
Aviao	554,000	5.66
Brejo	14,377,000	6.00
Cabecuda	807,000	4.75
Canabrava	30,295,000	6.12
Domingos	10,897,000	6.04
	<b>56,930,000</b>	<b>6.05</b>

*Notes:*

1. These inferred mineral resources are in addition to the Near Mine block model estimates shown in the previous table.
2. Estimates based on a 2.8% P<sub>2</sub>O<sub>5</sub> cut-off grade and a 3m minimum width criteria.
3. Estimated on April 23, 2010 based on data provided to Wardrop at that time.
4. Since drilling is still underway on the project, these estimates may not include all available information.
5. No assumptions should be made that all or any part of an inferred mineral resource will be upgraded to M&I as a result of continued exploration. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves.

The current mineral resource estimate indicates nearly five (5) times more measured mineral resources, over twice the M&I and 75% higher inferred mineral resource base over the prior mineral resource estimate from October 2009. Inferred mineral resources have been validated by means of systematic drilling in the Near Mine block to warrant consideration of the first stage mine development plan in its entirety.

During April and May 2010, additional mineral exploration activity in the Near Mine area will focus on systematic drilling towards migration of additional inferred mineral resources to the M&I category in order to increase the life of the mine.

Further evaluations and data modeling continue as the feasibility study advances towards a newly updated NI 43-101 compliant report by July 2010 with an update of exploration results.

## **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, additional drilling, mapping and sampling activities were conducted towards validation of the potential of the northern block; more specifically two occurrences with phosphorite outcrops referred to as Covanca and Lucia have been identified.

In view of preliminary positive indications, from May 2010 onwards MBAC will conduct ground geophysics work and 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.

## **Investments in Redstone projects**

During the Period, the Company invested a further \$103 to assess the development potential of the projects pertaining to the option agreement with Redstone Resources Limited, a publicly-traded mineral exploration company based in Perth, Western Australia with shares listed on the Australian Stock Exchange (ASX: RDS).

MBAC has a 35% interest in each of two (2) exploration projects known as the Apui Phosphate Project (“Apui”) and the Aneba Potash Project (“Aneba”).

### **Apui Phosphate Project**

During the quarter, considering the poor P<sub>2</sub>O<sub>5</sub> grade results, challenging logistics, and high cost (in the order of US\$215 per annum) to maintain tenements, management decided to halt additional investment in the Apui phosphate project. Though MBAC continues to hold a 35% interest in the Apui project, during the Period, \$239 representing the aggregate deferred costs relating to the Apui project, was written-off.

### **Aneba Potash Project**

During the quarter, given the relatively small coverage of the target area, the high cost for potash drilling and the high costs for ground maintenance (approximately US\$290 per annum), management decided not to drill test the possible extension of the salt layers into the southeastern portion of the study area and to halt additional investment in the project. Though MBAC continues to hold a 35% interest in the Aneba project, during the Period, \$619 representing the total aggregate deferred costs relating to the Aneba project, was written-off.

## **Coastal Potash Project**

MBAC continued the assessment of exploration permits for potash along the coast of Brazil with significant amounts of data acquired from the Brazilian Petroleum Agency and two (2) consulting firms which provided technical support on the interpretation of such data.

Systematic work thus far on public-domain data available from BDEP/ANP led to the identification of sylvinite intersections in seven (7) drill holes, as follows:

- (i) Two successive layers (7 m and 10 m thick) of sylvinite under 80 m of water approximately 100 km off the Sao Paulo coast (drill hole 1-SPS-004A-SP)
- (ii) Two successive 2 m thick layers of sylvinite under 80 meters of water approximately 110 km off the Sao Paulo coast (1-SPS-23-SP)
- (iii) One 8 m thick salt layer with gamma-ray signature typical of sylvinite under 50 meters of water approximately 60 km off the Bahia coast (1-BAS-0024-BA)
- (iv) One 5 m thick layer with gamma-ray signature typical of sylvinite under 49 meters of water approximately 25 km off the Bahia coast (1-BAS-0068-BA)
- (v) Multiple successive layers of sylvinite (the thickest one approximately 8 m thick) under 1,800 m of water approximately 46 km off the Bahia coast (1-BAS-126-BA)
- (vi) Multiple successive layers of sylvinite (the thickest one approximately 2 m thick) under 30 m of water approximately 20 km off the Sergipe coast (1-SES-003-SE)

- (vii) One 3 m layer of sylvinitite under 24 m of water some 9 km off the Sergipe coast (1-SES-032-SE).

Results obtained warrant more detailed geological studies of the public-domain available data and possibly other sylvinitite intersections in the area of interest. Such detailed studies are aimed at a target development proposal to be prepared by the end of calendar year 2010.

Together, systematic work and criteria established by AMEC led to the abandonment of approximately 860 tenements (equivalent to 1,688,255.47 ha, or 53% of the total amount of ground held by MBAC for the Coastal Potash Exploration Project) which were relinquished by March 31, 2010. During the Period, \$489 of deferred costs in respect of the areas relinquished was written-off.

## RECENT DEVELOPMENTS

### Industry and economic factors affecting MBAC's performance

Brazil continues to enjoy its position as a leading exporter of agricultural commodities such as sugar, coffee, orange juice and soybean. The Brazilian economy is expected to grow at a rate in excess of 5% per annum. According to the survey conducted by the Brazilian Ministry of Agriculture, Cattle and Supply ("CONAB"), excessive rain experienced in Brazil has favoured sugarcane planting and an annual increase in the sugarcane harvest is expected. Similarly, grain yield is expected to increase over those in calendar 2009. The period between May and September is the peak of fertilizer application season in Brazil. Brazilian demand is expected to remain unchanged or higher compared to same period last year. The demand for fertilizers in Brazil remained unchanged from calendar 2008 at 22 million tonnes (ANDA statistics). Between the calendar years 2005 and 2009 fertilizer consumption in Brazil grew at a compound annual growth rate ("CAGR") of 3%. Since calendar 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.

A weak Brazilian Real ("BRL") will favour Brazilian agriculture exports and local producers over distributors and retailers of imported fertilizers. The long-term strengthening of the BRL 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 April 30, 2010

#### *Milestones*

- Completed Technical Report which confirms that the Itafós Expansion Project is robust with positive economics.
- Completed an updated NI 43-101 compliant resource estimate that more than doubles the resource tonnage from the October 2009 resource report.
- Approved the development and construction of the Itafós Expansion Project.

#### *Financial*

- Net sales of \$63 and interest income of \$40 compared to \$91 and \$73, respectively, in Q3 2009.
- Net adjusted loss of \$2,402 or \$0.03 adjusted basic and diluted loss per share compared to \$440 or \$0.03 in Q3 2009.

	<b>Three months ended April 30,</b>	
	<b>2010</b>	2009
<b>Net loss</b>	<b>\$ (4,827)</b>	\$ (512)
Stock-based compensation	<b>1,508</b>	-
Write-off of deferred exploration and evaluation costs	<b>1,347</b>	-
Foreign exchange loss on intercompany loans	<b>(430)</b>	72
Adjusted loss before income tax effects	<b>(2,402)</b>	(440)
Income tax effect of adjustments	-	-
<b>Adjusted loss*</b>	<b>\$ (2,402)</b>	\$ (440)

\* See section on *NON-GAAP MEASURES*

- Net loss of \$4,827 or \$0.07 adjusted basic and diluted loss per share compared to \$512 or \$0.03 in Q3 2009.
- Total assets are \$150,798, comprising primarily of cash of \$72,123 and mineral properties and exploration rights and exploration assets of \$56,180. Other than \$22 commitment for vehicle leasing, MBAC has no outstanding debt.
- Working capital available is \$71,214, sufficient to fund the balance of calendar 2010 expected operating costs.

### **Nine-months ended April 30, 2010**

#### *Milestones*

- Completed Technical Report which confirms that the Itafós Expansion Project is robust with positive economics.
- Completed an updated NI 43-101 compliant resource estimate that more than doubles the resource tonnage from the October 2009 resource report. 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.

#### *Financial*

- Net sales of \$1,427 and interest income of \$87, compared to \$809 and \$594, respectively, in the nine-month period ended April 30, 2009.
- Net adjusted loss was \$7,875 or \$0.13 adjusted basic and diluted loss per share compared to \$922 or \$0.07 in the nine-month period ended April 30, 2009.

	<b>Nine months ended April 30,</b>	
	<b>2010</b>	2009
<b>Net loss</b>	<b>\$ (20,317)</b>	\$ (934)
Stock-based compensation	<b>10,777</b>	-
Write-off of deferred exploration and evaluation costs	<b>1,347</b>	-
Foreign exchange loss (gain) on intercompany loans	<b>318</b>	12
Adjusted loss before income tax effects	<b>(7,875)</b>	(922)
Income tax effect of adjustments	-	-
<b>Adjusted loss*</b>	<b>\$ (7,875)</b>	\$ (922)

\* See section on *NON-GAAP MEASURES*

- Net loss of \$20,317 or \$0.34 adjusted basic and diluted loss per share compared to \$934 or \$0.08 in the nine-month period ended April 30, 2009.

## OUTLOOK AND STRATEGY

MBAC continues to focus on its core objective of becoming a significant integrated producer of phosphate and potash fertilizer in Brazil. The Company's initial focus will be on constructing and operating a phosphate fertilizer industrial complex located in central Brazil. MBAC expects to reach its objective of approximately 500,000 tonnes per year of SSP during the second half of calendar 2012. The focus for the remainder of the calendar year will be to continue to increase the reserves by infill drilling. The Company expects to release the Definitive Feasibility Study on the Itafós Expansion Project by July 2010.

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.

## FINANCIAL INFORMATION

The following selected financial data is derived from the interim consolidated financial statements of MBAC for the period ended April 30, 2010 that were prepared in accordance with Canadian GAAP:

### Results of operations:

	Three months ended April 30,		Nine months ended April 30,	
	2010	2009	2010	2009
Revenue	\$ 63	\$ 91	\$ 1,427	\$ 809
Cost of sales	370	55	1,855	879
Gross profit (loss)	(307)	36	(428)	(70)
Operating expenses	4,427	568	19,205	1,472
Operating loss	(4,734)	(532)	(19,633)	(1,542)
Foreign exchange gain (loss)	430	(72)	(318)	(12)
Interest income	40	73	87	594
Other gains (losses)	(1,340)	32	(1,219)	32
Loss before income taxes	(5,604)	(499)	(21,083)	(928)
Provision for (recovery) of income taxes - current	-	15	54	51
- future	(777)	(2)	(820)	(45)
	(777)	13	(766)	(6)
Net loss	\$ (4,827)	\$ (512)	\$ (20,317)	\$ (934)
Basic and diluted net loss per common share	\$ (0.07)	\$ (0.03)	\$ (0.34)	\$ (0.08)
Weighted average number of common shares	72,667,614	16,920,000	60,303,174	12,316,878

### Three-months ended April 30, 2010

#### *Revenue and cost of sales*

During Q3 2010, MBAC extracted approximately 22,000 tonnes and processed 3,600 tonnes of phosphate rock. MBAC sold 461 tonnes of processed phosphate, which generated sales revenue of \$63 for an average selling price of Cdn\$136 per tonne. As at April 30, 2010, \$188 remained outstanding in accounts receivable.

During the quarter, MBAC realized a negative gross profit of \$307 comprised of the following:

Gross profit on sale of post-acquisition production	\$	4
Gross loss on sale of inventory acquired from Itafös		(20)
Idle capacity costs		(291)
	\$	<u>(307)</u>

On the acquisition of Itafös, inventories were recognized at their fair value (which was higher than the average realized selling price of those inventories sold during the quarter), resulting in a negative margin of \$20 for the three month period. In addition, we incurred idle capacity costs of \$291 relating to fixed costs associated with the under-utilization of plant capacity.

#### *Selling, general and administrative expenses*

Selling, general and administrative expenses were \$2,881 compared to \$538 in the three-month period ended April 30, 2009. The majority of these costs is attributable to administrative salaries (\$1,193 – 41.4%), professional fees (\$557 – 19.3%) and selling expenses (\$251 – 8.7%).

#### *Stock-based compensation*

During the quarter, the Company recognized an additional \$1,508 of stock-based compensation expense in connection with stock options granted in the first 6 months of the fiscal year. The current and future expense in respect of stock-based compensation is and will continue to be recognized 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.

#### *Net loss and income taxes*

The loss for Q3 2010 before income taxes was \$5,604. Future income taxes recorded on the acquisition of Itafös were partially recovered by depreciation charged in respect of property, plant and equipment acquired at that time.

### Nine-months ended April 30, 2010

#### *Revenue and cost of sales*

MBAC extracted approximately 22,000 tonnes of ore during the nine-month period ended April 30, 2010. The Company processed 19,029 tonnes of phosphate rock and sold 15,185 tonnes of processed phosphate, which generated sales revenue of \$1,427 for an average selling price of Cdn\$94 per tonne.

During nine-month period, we incurred idle capacity costs of \$849 relating to fixed costs associated with the under-utilization of plant capacity. Idle capacity costs of \$849 were charged to cost of sales for the nine-month period.

### *Selling, general and administrative expenses*

Selling, general and administrative expenses were \$8,349 compared to \$1,407 in the nine-month period ended April 30, 2009. The majority of these costs is attributable to administrative salaries (\$4,101 – 49.1%), professional fees (\$1,988 – 23.8%) and selling expenses (\$562 – 6.7%).

### *Stock-based compensation*

During the nine-month period ended April 30, 2010, stock awards were granted to executive officers and directors (4,540,671 in Q1 2010 and 2,582,883 in Q2 2010). At the date of grant, the aggregate fair market value of these awards was \$15,452, of which \$10,777 was expensed during the nine-month period. 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.

### *Net loss and income taxes*

The loss for the nine-month period before income taxes was \$21,083. Notwithstanding the losses realized, foreign taxes of \$54 were levied and paid on gross revenue. Future income taxes recorded on the acquisition of Itafôs were partially recovered by depreciation charged in respect of property, plant and equipment acquired at that time.

## **Financial condition**

### Balance sheet

	<b>April 30, 2010</b>	<b>July 31, 2009</b>
Cash	\$ 72,123	\$ 40,703
Other current assets	1,827	1,646
Pyrite asset	11,910	11,910
Investments	177	158
Mineral properties and exploration rights	45,351	44,843
Exploration and evaluation assets	10,829	2,596
Other property, plant and equipment	8,581	3,703
<b>Total assets</b>	<b>\$ 150,798</b>	<b>\$ 105,559</b>
Current liabilities	\$ 2,735	\$ 1,979
Future income tax liabilities	15,343	15,983
Asset retirement obligations	51	50
Other long-term liabilities	3	13
<b>Total liabilities</b>	<b>18,132</b>	<b>18,025</b>
Shareholders' equity	132,666	87,534
<b>Total liabilities and equity</b>	<b>\$ 150,798</b>	<b>\$ 105,559</b>

## Assets

Total assets include cash of \$72,123, the majority of which represents 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 nine-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 totalling \$9,575 were capitalized during the nine-month period ended April 30, 2010. All of these expenditures were incurred in respect of the Itafós Expansion Project with the exception of \$1,105 spent on permitting for the Aneba and Costal Potash projects and Apui Phosphate project. Below is a summary of these expenditures:

	Three Months	Nine months
Geological	\$ 1,110	\$ 2,426
Engineering	92	330
Drilling	2,959	3,866
Consulting	137	240
Permitting	155	1,519
Lab analysis	671	1,005
Other	98	189
	<b>\$ 5,222</b>	<b>\$ 9,575</b>

### *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 nine months ended April 30, 2010, MBAC acquired and constructed property, plant and equipment for a cash cost of \$1,832 and \$5,327, respectively. Depreciation and depletion of property, plant and equipment for the three and nine months ended April 30, 2010 was \$85 and \$210, 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, \$444 in accrued professional fees, \$557 for domestic suppliers in Brazil and \$535 related to labour obligations and taxes due. Deferred revenue of \$220 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 April 30, 2010
Share capital	\$ 139,808
Contributed surplus	12,756
Accumulated other comprehensive income	1,814
Deficit	(21,712)
<b>Total</b>	<b>\$ 132,666</b>

## Cash flow information

	Three Months	Nine months
Cash flows used in operating activities	\$ (3,288)	\$ (7,769)
Cash flows used in investing activities	(6,934)	(14,654)
Cash flows from financing activities	42	53,937
Foreign currency effect on cash	(9)	(94)
Increase (decrease) in cash	\$ (10,189)	\$ 31,420

### Three months ended April 30, 2010

#### *Operating activities*

MBAC incurred \$4,827 of operating losses, which were offset by \$1,539 from items not affecting cash and non-cash working capital items, mainly in respect of the expense related to stock-based compensation, foreign exchange gains, and the write-off of deferred exploration and evaluation costs, resulting in net cash cost to operations of \$3,288.

#### *Investing activities*

Cash outflow to investing activities was \$6,934, of which \$1,832 was in respect of the acquisition of geology equipment (x-ray pistol), production vehicles (front load), software licenses and services of engineering consulting for the new plant and \$5,222 for exploration and development.

### Nine months ended April 30, 2010

#### *Operating activities*

MBAC incurred \$20,317 of operating losses, which were offset by \$12,548 from items not affecting cash and non-cash working capital items, mainly in respect of the issuance of stock-based compensation, foreign exchange losses, and the write-off of deferred exploration and evaluation costs, resulting in net cash cost to operations of \$7,769.

#### *Investing activities*

Cash outflow to investing activities was \$14,654 of which \$5,327 was in respect of the acquisition of property, plant and equipments and \$9,575 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		
	Q3 2010	Q2 2010	Q1 2010
Net Sales/Total Revenue	\$ 63	\$ 388	\$ 967
Net Income (Loss) – total	\$ (4,827)	\$ (8,866)	\$ (6,630)
Net Income (Loss) – per share	\$ (0.07)	\$ (0.15)	\$ (0.13)
Total assets	\$ 150,798	\$ 153,749	\$ 108,140
Total long-term financial liabilities	\$ 3	\$ 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, (b) foreign exchange gains or losses and (c) write-off of deferred exploration and evaluation costs. 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, 2010 was \$72,123. 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*

Management estimates that it will require approximately \$62.1 million to fund capital expenditures for the next 12 months as follows:

Infra-structure for new facilities	\$ 8,062
Construction of Mine, Mill and Flotation Plants	17,776
Construction of SSP plant	9,180
Construction of Sulphuric Acid plant	16,717
Consumables for the new plants	669
Utilities systems for the new plants	2,420
Support facilities	1,567
Current mine sustaining capital	294
Exploration works	5,423
	<b>\$ 62,108</b>

In addition, the Company will require approximately \$7.7 million for selling, general and administrative expenditures for the next 12 months, consisting primarily of employee salaries, professional fees and marketing costs.

With approximately \$72,123 million in cash at the Period end, MBAC is sufficiently capitalized to fund its planned operating and capital expenditures through April 30, 2011.

Management has initiated discussions with various government-sponsored agencies, conventional banks and other financing sources to evaluate the nature, extent, eligibility and cost of financing, including debt and equity alternatives.

<b>Cash beginning, July 31, 2009</b>	<b>\$ 40,703</b>
Proceeds from the total issuance of MBAC Shares	53,519
	<b>94,222</b>
<i>Cash received (used):</i>	
To fund operations	(7,769)
Acquisition of property, plant and equipments	(5,327)
Exploration expenditures	(9,575)
Cash acquired with reverse takeover	346
Other	226
	<b>(22,099)</b>
<b>Cash ending, April 30, 2010</b>	<b>\$ 72,123</b>

MBAC has no commitments for capital expenditures other than rent for office space in Toronto, Rio Janeiro, Brasília and Itafós plant site, contractors for the construction of a laboratory and lease payments for three (3) vehicles in Brazil (see “Contractual Obligations” section).

## CAPITALIZATION

Shareholders’ equity as at April 30, 2010 was \$132,666. As at April 30, 2010, MBAC had 72,689,337 common shares issued and outstanding.

### *Stock-based incentive plans*

During the three and nine-month periods ended April 30, 2010, the Company issued nil and 7,123,550 share purchase options, respectively. The Company has recognized a total of \$10,777 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 third quarter of 2010:

	<b>Nine months ended April 30, 2010</b>	
	<b>Number of options</b>	<b>Weighted average exercise price (Cdn\$)</b>
Outstanding, beginning	-	\$ -
Assumed on reverse takeover	73,333	1.50
Granted	7,123,550	2.69
Exercised	(73,333)	1.50
Outstanding, ending	<b>7,123,550</b>	<b>2.69</b>
Exercisable	<b>3,489,085</b>	<b>\$ 2.57</b>

The following common shares and convertible securities of the Company were outstanding at June 8, 2010:

	<u>Expiry date</u>	<u>Exercise price (Cdn\$)</u>	<u>Securities outstanding</u>	<u>Common shares on exercise</u>
Common shares	-	-	72,689,337	-
Options	Aug 12 to Nov 27, 2014	\$1.50 to \$3.75	7,123,550	7,123,550

## CONTRACTUAL OBLIGATIONS

The following table lists, as at April 30, 2010, information with respect to the Company's contractual obligations and respective payment due by period:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 -3 years</u>	<u>4 -5 years</u>	<u>After 5 years</u>
Mine operating/construction and service contracts	\$ 244	\$ 213	\$ 31	\$ -	\$ -
Asset retirement obligations	51	-	-	-	51
Office leases	710	294	416	-	-
	<u>\$ 1,005</u>	<u>\$ 507</u>	<u>\$ 447</u>	<u>\$ -</u>	<u>\$ 51</u>

## 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 nine-months ended April 30, 2010, MBAC recognized foreign exchange gain of \$430 and loss of \$318, respectively. The BRL strengthened by 3% against the Canadian dollar over the course of the Period and 1% over the nine-months ended April 30, 2010, resulting in a CTA gain of \$893 and \$526, respectively, on translation of the Brazilian entities.

## OFF-BALANCE SHEET ARRANGEMENTS

As at April 30, 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 April 30, 2010.

Starting in January 1, 2010, Itafôs mine elected to pay income taxes on account of taxable net income rather than the account of gross revenue. As currently, the subsidiary company in Brazil is generating operating losses, the tax based on net income yields a lower tax expenses for the Company. Previously as a gross revenue basis tax payer, a permanent tax difference has been recorded to date on the inability for these operating losses to be recovered. Now that taxes are based on net income there is a timing difference to record for these Q3 2010 operating losses.

In addition, at the time of the acquisition, future taxes were also recorded in relation to the taxable temporary difference on the mineral property acquired. This future tax liability was recorded in the financial statements at the date of the acquisition and will reverse over the lives of the respective assets.

For Q3 2010, the timing difference on the mineral property is offset against the operating losses and as such, a valuation allowance on the deferred tax asset relating to these operating losses is not required. This had the impact of a \$777 income tax recovery in the quarter.

## **RELATED PARTY TRANSACTIONS**

During the three and nine-month periods ended April 30, 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 is typically based on the price of Diammonium Phosphate ("DAP"), which at the Period end was quoted at US\$450 FOB US Gulf coast per tonne. In comparison, end of June 2009 DAP prices quoted FOB Tampa was \$306 per tonne. According to FMB Group Limited (a leading fertilizer consultancy firm) phosphate prices should remain fairly constant to mild deterioration through the rest of the year. The SSP price in Itafós' local market has seen a significant increase reaching US\$250 per tonne in recent months.

## **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.

Once MBAC receives the study confirming the technical and economic feasibility of the planned expansion in respect of the construction of the SSP facility and commits to its development, it will be dependent on obtaining financing in order to continue the proposed business plan. Despite previous success in obtaining financing in the equity markets, there is no guarantee of obtaining any future financing, or that any financing will be available on acceptable terms. The phosphate prices 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.

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 and tests the carrying amount of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there is the indication that an impairment may have occurred, an impairment test is performed whereby the net capitalized costs of the asset group is compared to the sum of the undiscounted cash flows expected to result from the asset group. If the undiscounted cash flows are less than the carrying amount, an impairment loss, based on the excess carrying amount above the net present value of future cash flows is recorded in the consolidated statements of operations and deficit. A NI 43-101 compliant estimate of proven and probable reserves and measured, indicated & inferred mineral 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.

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 MD&A 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.

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. The conversion project consists of three primary phases, which in certain cases will be in process concurrently, as follows:

### **Initial assessment and diagnostic**

An initial diagnostic of key areas for which adjustments will be required and accounting policy choices available upon adoption of IFRS will be performed in Q4 2010. This initial phase will also address the impact on accounting, information technology, internal controls and disclosure.

### **Design, evaluation and solution development**

This phase will result in the design and development of detailed solutions to address the differences identified in the initial assessment and diagnostic conversion project. These solutions will result in certain necessary changes to the Company's internal business processes and financial systems to comply with IFRS accounting and disclosure requirements. The activities in this phase include:

- a) The evaluation of accounting policy alternatives including first time adoption exemptions alternatives;
- b) The investigation, development and documentation of solutions to resolve differences identified in the initial assessment, reflecting changes to existing accounting policies and practices, business processes, information systems and internal controls;
- c) The implementation of a change management strategy to address the information and training needs of internal and external stakeholders.

### **Implementation and review**

Implementation of the required changes necessary will include approval of accounting adjustments, policies adoptions, changes of information systems and procedures identified in the design and evaluation phase above.

## **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 April 30, 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 disclosure controls and procedures during the quarter ended April 30, 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

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".

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.