

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



**FOR THE YEAR ENDED JULY 31, 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 audited consolidated financial statements of MBAC Fertilizer Corp. ("MBAC" or the "Company" or "we") for the fiscal year ended July 31, 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 ("C\$"), except price per tonne and earnings per share, unless otherwise noted. This MD&A has been prepared as of October 28, 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](http://www.sedar.com).*

*Throughout this MD&A, reference to the "year" or "fiscal year" shall refer to the period from August 1, 2010 to July 31, 2011. References to "prior year" or "prior period" shall refer to the period from August 1, 2009 to July 31, 2010.*

## CORE BUSINESS

MBAC Fertilizer Corp. is a Canadian-based company, listed on the Toronto Stock Exchange under the symbol "MBC" and quoted on the OTCQX International in the United States under the symbol "MBCFF". 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 Campos Belos RNP 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 and phosphate and potash opportunities throughout Brazil, including development of the Santana Phosphate Project located in the southeast of Pará State, Brazil ("Santana" or the "Santana Project"), for which the Company has released a preliminary economic assessment (the "PEA") supporting the installation of facilities estimated to produce approximately 500,000 tonnes of SSP per annum. The PEA is preliminary in nature. It includes inferred mineral resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the preliminary economic assessment will be realized.

## 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 Campos Belos RNP Operations, sited in the city of Arraias, Tocantins. The table below summarizes the tonnage extracted, processed and sold during the years ended July 31, 2011 and 2010.

<i>(In tonnes)</i>	<b>2011</b>	2010
Extracted	<b>77,562</b>	37,586
Processed	<b>54,877</b>	50,277
Sold	<b>57,393</b>	25,312
Revenue	<b>\$ 6,564</b>	\$ 2,342
Avg. selling price per tonne	<b>\$ 114.37</b>	\$ 92.53

### 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 ended April 30, 2011, 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 located near the city of Arraias, Tocantins in Brazil where the mineral deposit is located, approximately 10 kilometres from the existing Itafós Campos Belos RNP 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](http://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.

	Jul-Sep 2011	Oct-Dec 2011	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012
Engineering	○					
Detailed engineering	○					
Environmental studies	○					
Operational license				△		
Civil Construction		○				
Equipment Acquisition	○					
Electromechanical Erection		○				
Commissioning					○	
Start-up						△

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 was the awarding of the construction license, which was granted after certain preconditions established on the issuance of the preliminary license which were fulfilled by the Company. MBAC received the construction license in March 2011. 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 and ball mill which are the longest lead items for the Itafós Arraias SSP Project. Earthworks commenced during the last quarter of the fiscal year.

### 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% P<sub>2</sub>O<sub>5</sub> in first 10 years  
- 5.39% P<sub>2</sub>O<sub>5</sub> 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 follows<sup>1</sup>:

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

<sup>1</sup> 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.

## EXPLORATION ACTIVITIES

### ITAFÓS - PHASE II

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

The Company engaged Wardrop to prepare the Resource Estimate which provides for total inferred mineral resources of 24.02 Million Tonnes (“Mt”) with an average P<sub>2</sub>O<sub>5</sub> grade of 5.27% in the following blocks:

<b>Blocks</b>	<b>Tonnage (Mt)</b>	<b>P<sub>2</sub>O<sub>5</sub> %</b>
Near Mine	4.04	4.00
Canabrava	3.52	4.14
Domingos	0.72	3.76
Avião	0.55	5.66
Brejo	14.37	6.00
Cabeçuda	0.81	4.75
	<b>24.02</b>	<b>5.27</b>

At the time, Wardrop also identified additional potential inferred mineral resources to be confirmed by further drilling in the Northern Domingos block and fringes of the Canabrava block.

Since the September 2010 Resource Estimate, the Company drilled an additional 1,788 metres comprising 43 new holes at a nominal 200 x 200 metres or closer spacing in the northern extension of the Domingos Block, an area within close proximity to the future plant site that had not been previously drilled due to access restrictions. The Company also targeted central parts of the Domingos Block that had been previously 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 new mineralized zones which are relatively shallow. An updated resource calculation is yet to be performed but new results demonstrate a potential to increase existing resources in excess of that indicated in the DFS Technical Report.

The economies of scale realizable vis-à-vis the location of the project, which is in close proximity to the Itafós Arraias SSP Project, could potentially justify the development of Itafós-Phase II.

## SANTANA PHOSPHATE PROJECT

Subsequent to year-end the Company announced the results of the PEA for the Santana Project. The PEA is based on an initial inferred mineral resource estimate determined by a drilling campaign undertaken up to July 31, 2011. The responsible qualified persons for the PEA are Carlos Guzmán (the “NCL QP”) and Beau Nicholls (the “Amazon Resources QP”). The technical information set forth below has been reviewed and approved by both the NCL QP and the Amazon Resources QP, who is a “qualified person” as that term is defined in NI 43-101. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Santana PEA which has been filed with the applicable Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com). The PEA is preliminary in nature. It includes inferred mineral resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the PEA will be realized.

The PEA indicates that the Santana Project is expected to generate robust returns. The assumptions for the economic analysis are as follows

### Highlights of the PEA:

- The initial resource estimate for the Santana deposit of 33.5Mt inferred mineral resources with an average P<sub>2</sub>O<sub>5</sub> content of 12.4% (using a 3% P<sub>2</sub>O<sub>5</sub> Cut-off).
- Potentially one of the highest grade phosphate mines in Brazil.

### Base Case assumptions:

- Estimated production of 500,000 tonnes per annum of SSP production starting in Q3 2015, using 300,000 tonnes of P<sub>2</sub>O<sub>5</sub> 34% concentrate;
- SSP selling price of US\$350 per tonne<sup>2</sup>;
- Production target Q3 2015.

### Summary of the Project Economics:

- internal rate of return (“IRR”) of 26.3%;
- net present value (“NPV”) of US\$423 million, using 10% discount rate;
- mine life of 22 years (based on initial resource estimate);
- operating cost SSP - US\$127.00 per tonne (including a 10% contingency)
- operating cost Concentrate - US\$81.95 per tonne
- total expected capital cost US\$385 million.

### Other highlights:

- Significant resource expansion potential
- Opportunities to increase value by production of other higher-content phosphate fertilizers and animal nutrient products, a review of which will be finalized before completion of the feasibility study
- The initial lab tests with concentrates resulted in high quality SSP and phosphoric acid suitable for Triple Superphosphate (“TSP”) and Di-calcium Phosphate (“DCP”) production.

### Upcoming Milestones

- The Company intends to complete the pre-feasibility study by early calendar 2012 and a bankable feasibility study by the first calendar quarter of 2013.

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<sup>2</sup> Nominal price by 2015 with the current foreign exchange rate. The SSP price through 2020 was based on TSP prices furnished by a leading independent authority in fertilizer industry. For the period after 2020, the price was escalated at a rate of 2% per annum.

## ARAXÁ PROJECT

Subsequent to year-end, the Company exercised its option to purchase 100% of the rare earth oxide/niobium/phosphate project (the “Araxá Project”) located in the southern part of Minas Gerais State, Brazil. The acquisition of the option was announced by the Company on June 29, 2011. No additional funds were paid upon exercising the option.

The Company is currently performing metallurgical tests to confirm the historical work as well as the ability to produce rare earth oxides (“REOs”). The Company plans to commence drilling immediately with the intent of twinning the holes in order to validate historical drilling results.

The Araxá Project includes four (4) tenements covering 214 hectares of Barreiro Cretaceous carbonatite. The Barreiro carbonatite is a well-known host rock to the Brazilian company Companhia Brasileira de Metalurgia e Mineração’s (“CBMM”) massive niobium mine which currently supplies approximately 85% of the world’s niobium annual consumption. Historical exploration has led to the discovery of significant phosphate, REOs and niobium mineralization. Phosphate occurrences in the carbonatite were first discovered in the early 1950s and the tenement areas optioned to the Company were explored in the past by companies such as CBMM and Rhône-Poulenc. The region in which the Project is situated hosts excellent infrastructure and is home to one of the largest Brazilian phosphate mines currently owned and operated by Vale.

Exploration has been completed by a number of companies including:

- 1965 by DNPM/Geosol,
- 1970 by CBMM,
- 1974 by Rhône-Poulenc,
- 2004 by Extramil
- 2008 by Extramil and CIF

Historical exploration data from auger drilling (31 holes for a total of 199m), pitting (43 pits for a total of 436m), diamond drilling (35 holes for a total of 3,485m) and metallurgical test work has identified niobium, REOs and phosphate mineralization; however no NI 43-101 compliant resource estimates currently exist.

A historical resource for the REO was previously estimated by Jair Carvalho (geologist), an Extramil employee and is contained in a report filed with the Brazilian National Department of Mineral Production (“DNPM”) on November 30, 1989. The Company has received the digital excel spreadsheets used in the historical resource estimation. Extramil undertook an estimate based on 11 cross sections 40m apart with half distance influence. The cross sections were defined based on the above mentioned auger drilling, pitting and 16 of the 32 diamond drill holes.

Extramil reported, based on partial exploration of the property, 1.3 million tonnes at an average grade of 9.62% REO (using a 6% REO cut-off and density of two (2) tonnes/m<sup>3</sup>). The 9.62% REO grade was comprised of the following:

CeO <sub>2</sub>	La <sub>2</sub> O <sub>3</sub>	Nd <sub>2</sub> O <sub>3</sub>	Pr <sub>2</sub> O <sub>3</sub>	Sm <sub>2</sub> O <sub>3</sub>	Eu <sub>2</sub> O <sub>3</sub>	Gd <sub>2</sub> O <sub>3</sub>	Dy <sub>2</sub> O <sub>3</sub>	Yb <sub>2</sub> O <sub>3</sub>	Y <sub>2</sub> O <sub>3</sub>
48.63%	29.46%	13.82%	4.24%	1.59%	0.33%	0.64%	0.30%	0.04%	0.94%

Mr. Beau Nicholls, the qualified person responsible for the technical disclosure regarding the Araxá Project above, has not done sufficient work to verify or classify the historical estimate as current mineral resources or mineral reserves and the Company is not treating the historical estimate as a current NI 43-101 mineral resource or mineral reserve. The qualified person is not able to relate the classification parameters used by Extramil to the NI 43-101 parameters of measured, indicated and inferred and no recent estimates are available. Accordingly, the historical estimate should not be relied upon.

In order to complete a current NI 43-101 mineral resource estimate and to verify the historical estimate by Extramil, the Company is undertaking due diligence umpire sampling of 10% of the mineralized historical drill samples that are available along with a detailed topography and drill hole collar survey and bulk density sampling.

### **CARMO PHOSPHATE PROJECT**

During the year MBAC secured access to approximately 73,000 hectares by means of claim applications and 5,900 hectares by means of option contracts for the acquisition of 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% P<sub>2</sub>O<sub>5</sub>. Follow-up of such positive results by means of systematic drilling led to validation of geological continuity as inferred from surface mappings however, preliminary results indicate grades in the range of 3% to 5% P<sub>2</sub>O<sub>5</sub> capped by a titanium dioxide (“TiO<sub>2</sub>”) rich layer averaging 26 metres at 12% TiO<sub>2</sub>, starting at surface.

The drilling equipment has been de-mobilized indefinitely and the prospect is to be evaluated once all analytical results are available. During the year, the Company relinquished 45,000 hectares of its Carmo Phosphate Project exploration claims and recorded an impairment of \$220 in respect thereof.

### **ANEBÁ POTASH PROJECT (FORMERLY REFERRED TO AS REDSTONE PROJECTS)**

During the year 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 year MBAC evaluated third parties 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

YEAR ENDED JULY 31, 2011

### Highlights

- Completed a bought deal equity financing for aggregate gross proceeds of \$42,424 less transaction costs of approximately \$2,523.
- Recorded net loss of \$2,510 or \$0.03 loss per share compared to a loss of \$36,130 or \$0.57 loss per share in the prior year.
- Invested \$20,519 in capital assets (\$14,232 in fixed assets and \$6,287 in exploration and evaluation activities).
- Recorded sales of \$6,564, an increase of 180.3% over the prior year.
- Extracted 77,562 tonnes, produced 54,877 tonnes and sold 57,393 tonnes of phosphate.
- Reported positive drilling results at the Santana Project with an average grade of 12.4% P<sub>2</sub>O<sub>5</sub>.
- Cash balance of \$73 million as at July 31, 2011.
- Initiated efforts to secure “off-take agreements” targeting major customers.
- Placed orders for several capital items including the sulphuric acid plant and ball mill which are the longest lead items for the Itafós Arraias SSP Project.
- Received construction license for Itafós Arraias SSP Project and started earthworks.
- Subsequent to year end, reported initial PEA and Resource Estimate for the Santana Project.
- Subsequent to year end, exercised option to buy the Araxá Project rare earth oxide/niobium/phosphate project in south east Brazil.
- Subsequent to year end, completed private equity financing with International Finance Corporation (“IFC”) for aggregate proceeds of approximately \$33,573.
- Subsequent to year end, the Company executed a loan agreement securing R\$193.5 million project financing.

### Financial

	Years ended July 31,	
	2011	2010
<b>Net loss</b>	\$ (2,510)	\$ (36,130)
Stock-based compensation	3,495	12,285
Impairment of long-lived assets	1,388	13,257
Future income tax benefit related to the acquisition of Itafós*	(8,913)	-
Foreign exchange loss	21	383
Adjusted loss before income tax effects	(6,519)	(10,205)
Income tax effect of adjustments	-	418
<b>Adjusted loss**</b>	\$ (6,519)	\$ (10,623)
<b>Basic adjusted loss per share</b>	\$ (0.08)	\$ (0.17)
<b>Diluted adjusted loss per share</b>	\$ (0.08)	\$ (0.17)

\* See “Income Taxes” section.

\*\* See section on non-GAAP measures.

## OUTLOOK AND STRATEGY

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 the start of production expected in early Q4 2012. MBAC remains focused on getting this project into production as timely and cost effectively as possible. The Company continued to make strides with the Itafós Arraias SSP Project in 2011 having completed the NI 43-101 DFS Technical Report, obtained all requisite licenses, started the civil construction and earthworks and obtained financing of approximately \$40 million in equity. Subsequent to the year-end, MBAC closed an approximately \$33.6 million equity investment by the IFC, a member of the World Bank Group. The Company is in the process of completing two (2) project finance debt facilities with IFC and Itaú BBA S.A. ("Itaú BBA") respectively, for a combined amount of approximately \$154 million. See "Expected SOURCES and USES of funds".

MBAC is very excited about two (2) new projects it announced during calendar Q4 2010 and 2011, being the Santana Project and the Araxá Project. The Santana Project is a high grade phosphate deposit strategically located in Pará State in north central Brazil one of the largest animal feed markets in Brazil. It is also close to Mato Grosso State one of the largest grain and soya producing states in Brazil. The Company has recently completed a NI 43-101 PEA for its Santana Project which includes an initial resource estimate of 33.5Mt grading 12.4% of P<sub>2</sub>O<sub>5</sub>. MBAC intends to continue drilling in order to have a NI 43-101 pre-feasibility study completed by early calendar 2012 and a bankable feasibility study by the first calendar quarter of 2013. See "Santana Phosphate Project".

The Company also announced that it exercised an option to acquire 100% of the Araxá Project deposit located in the southern part of Minas Gerais State, Brazil. MBAC will initiate drilling with the intent of twinning the holes in order to validate historical results. The Company intends to perform metallurgical tests with the ore in order to confirm the historical work completed to date. The Company continues to talk with interested parties regarding potential off-take agreements for REO and niobium. See "Araxá Project".

The Company is also looking to add to its potash portfolio through acquisition of potential assets in South America.

MBAC is committed to prudent and disciplined growth and continuous improvement of 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. 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 audited annual consolidated financial statements of MBAC for the years ended July 31, 2011 and 2010, which were prepared in accordance with Canadian GAAP:

### RESULTS OF OPERATIONS

	Years ended July 31,	
	2011	2010
Revenue	\$ 6,564	\$ 2,342
Cost of sales	4,904	2,090
Gross profit	1,660	252
Operating expenses	17,015	24,200
Operating loss	(15,355)	(23,948)
Foreign exchange loss	(21)	(383)
Interest income	758	212
Impairment of long-lived assets	(1,388)	(13,257)
Other income, net	622	344
Loss before income taxes	(15,384)	(37,032)
Provision for (recovery) of income taxes - current	289	54
- future	(13,163)	(956)
	(12,874)	(902)
Net loss	\$ (2,510)	\$ (36,130)
Basic net loss per common share	\$ (0.03)	\$ (0.57)
Diluted net loss per common share	\$ (0.03)	\$ (0.57)

### FOR THE YEAR ENDED JULY 31, 2011

#### Revenue and cost of sales

MBAC extracted 77,562 tonnes (2010 - 37,586) of ore during the year ended July 31, 2011. The Company processed 54,877 tonnes (2010 - 50,227) of phosphate rock and sold 57,393 tonnes (2010 - 25,312) of processed phosphate, which generated revenue of \$6,564 (2010 - \$2,342) at an average selling price of \$114.37 per tonne (2010 - \$92.53 per tonne).

The Company realized gross profit before idle capacity charges of \$3,207 (2010 - \$1,101), however, due to lower than normal levels of production during certain months of the year, the Company continued to incur fixed overhead costs associated with the Itafós Campos Belos RNP Operations. Accordingly, idle capacity charges of \$1,547 (2010 - \$849) were charged to cost of sales during the year.

Revenues (phosphate prices) are exposed to other than BRL currencies, while costs are entirely exposed to the BRL. Therefore, as the BRL strengthens, reported revenues and costs increase, though the impact on gross margin is negative.

	2011		2010	
	\$	%	\$	%
Sales	6,564	100 %	2,342	100 %
Cost of sales before idle capacity costs	3,357	51 %	1,241	53 %
Gross profit before idle capacity costs	3,207	49 %	1,101	47 %
Idle capacity costs	1,547	24 %	849	36 %
Gross profit	\$ 1,660	25 %	\$ 252	11 %

## Operating Expenses

### a) Selling, general and administrative expenses

Selling, general and administrative expenses during the year were \$13,520 (2010 - \$11,915). The majority of these expenses were attributable to salaries and labour taxes of \$9,001 (2010 - \$6,672), office & general expenses of \$1,522 (2010 - \$1,069) and professional fees of \$1,404 (2010 - \$2,341).

### b) Stock-based compensation

During the year, stock option awards were granted to executive officers and directors. At the date of grant, the aggregate fair market value of these awards was \$821. 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 \$3,495 for the year, which includes the value of the options granted in prior years that vested during the current fiscal year.

## Net income (loss)

Loss for the year was \$2,510 compared to a net loss of \$36,130 in the prior year.

## FINANCIAL CONDITION

The following selected financial data is derived from the consolidated financial statements for the years ended:

### BALANCE SHEET

	July 31, 2011	July 31, 2010
Cash	\$ 73,060	\$ 63,349
Other current assets	4,775	2,799
Investments	-	564
Long-term accounts receivable	573	-
Mineral properties and exploration assets	68,789	60,704
Property, plant and equipment	27,222	9,898
<b>Total assets</b>	<b>\$ 174,419</b>	<b>\$ 137,314</b>
Current liabilities	\$ 9,106	\$ 3,363
Future income tax liabilities	2,366	15,254
Asset retirement obligations	154	51
<b>Total liabilities</b>	<b>11,626</b>	<b>18,668</b>
Shareholders' equity	162,793	118,646
<b>Total liabilities and equity</b>	<b>\$ 174,419</b>	<b>\$ 137,314</b>

### Assets

Total assets include cash of \$73,060, 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 year, MBAC acquired and constructed property, plant and equipment of \$14,232 (2010 - \$6,695), of which \$11,518 related to the Itafós Arraias SSP Project and the remainder \$2,714 related to other projects. Depreciation and depletion of property, plant and equipment and mineral properties for the year was \$837 (2010 - \$271).

## Liabilities

Total liabilities are comprised of accounts payable and accrued liabilities, asset retirement obligation, and future income taxes. Accounts payable and accrued liabilities primarily include \$1,311 in trade payables (2010 - \$906), \$3,153 in payroll liabilities, \$3,347 related to the Itafós Arraias SSP Project accruals and other liabilities of \$1,295 (2010 - \$1,272). The future tax liability of \$2,366 (2010 - \$15,254) comprises the future income taxes that arose on the acquisition of 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

	July 31, 2011	July 31, 2010
Share capital	\$ 179,632	\$ 139,731
Contributed surplus	17,759	14,264
Accumulated other comprehensive income	5,437	2,176
Deficit	(40,035)	(37,525)
	<b>\$ 162,793</b>	<b>\$ 118,646</b>

## CASH FLOW INFORMATION

	Years ended July 31,	
	2011	2010
Cash flows used in operating activities	\$ (10,559)	\$ (10,555)
Cash flows used in investing activities	(19,572)	(20,587)
Cash flows from financing activities	39,901	53,898
Foreign currency effect on cash	(59)	(110)
Increase (decrease) in cash	<b>\$ 9,711</b>	<b>\$ 22,646</b>

### Year ended July 31, 2011

#### Operating activities

Cash flow used in operating activities was \$10,559 after adding other items not affecting cash of \$8,050 and a positive change in non-cash working capital items of \$1 to the net loss of \$2,510.

#### Investing activities

During the year, the Company invested \$19,572 of cash, comprised primarily of investments in property, plant and equipment totalling \$14,232 (2010 - \$6,695), and exploration, evaluation and mine development expenditures of \$6,287 (2010 - \$14,173).

Exploration expenditures totalling \$6,287 (2010 - \$14,173) were capitalized during the year. Below is a summary of these expenditures:

	<b>2011</b>	2010
Geological	\$ <b>2,340</b>	\$ 3,159
Engineering	<b>43</b>	530
Drilling	<b>1,398</b>	5,643
Consulting	<b>437</b>	281
Permitting	<b>627</b>	2,427
Lab analysis	<b>705</b>	1,788
Other	<b>737</b>	345
	<b>\$ 6,287</b>	<b>\$ 14,173</b>

#### Financing activities

During the year, MBAC raised net cash proceeds of \$39,901 through issuance of common shares pursuant to a bought-deal equity financing.

## SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net Sales	\$ 2,571	\$ 774	\$ 957	\$ 2,262
Net income (loss) - total	\$ (4,564)	\$ (2,369)	\$ 6,574	\$ (2,151)
Basic net income (loss) - per share	\$ (0.06)	\$ (0.03)	\$ 0.09	\$ (0.03)
Total assets	\$ 174,419	\$ 172,032	\$ 132,815	\$ 137,144

	Three months ended			
	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Net Sales	\$ 924	\$ 63	\$ 388	\$ 967
Net loss - total	\$ (15,807)	\$ (4,827)	\$ (8,866)	\$ (6,630)
Basic net loss - per share	\$ (0.22)	\$ (0.07)	\$ (0.15)	\$ (0.13)
Total assets	\$ 137,314	\$ 150,798	\$ 153,749	\$ 108,140

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

## FOURTH QUARTER

During the fourth quarter of 2011, the Company sold 25,231 tonnes of phosphate at an average price of \$101.90 per tonne. The average sales price for the fourth quarter for the same period of 2010 was lower due to greater sales of lower-grade, lower-priced products. Details of sales and production figures for the quarter are presented below.

	<b>Q4 2011</b>	Q4 2010
Revenue	\$ <b>2,571</b>	\$ 924
Average selling price (Cdn\$)	\$ <b>101.90</b>	\$ 91.24
Tonnes of ore mined	<b>25,341</b>	14,782
Tonnes processed	<b>18,292</b>	31,249
Sales (in tonnes)	<b>25,231</b>	10,127

## **OTHER HIGHLIGHTS OF THE FOURTH QUARTER ARE:**

The Company invested \$10,508 in capital assets during the fourth quarter of 2011 (Q4 2010 - \$7,054), of which \$7,770 related to Itafós Arraias SSP Project and the remainder \$2,738 related to other projects.

## **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 Canadian GAAP, but rather should be evaluated in conjunction with such Canadian 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 July 31, 2011 was \$73,060 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 \$2,523.

Subsequent to year end, the Company issued 10,829,900 common shares for aggregate proceeds of approximately \$33,573. The proceeds will be used to advance the Itafós Arraias SSP Project.

## **EXPECTED SOURCES AND USES OF FUNDS**

For the year ending July 31, 2012, management expects that it will require approximately \$231 million to fund development and construction costs related to the Itafós Arraias SSP Project (see Itafós Arraias SSP Project – SSP facility – Project Economics section) and sustaining capital, approximately \$5 million in planned exploration activities and \$2 million to fund operating activities including working capital.

In consideration of these capital and non-capital requirements, the Company has completed, or is in the process of completing two (2) project financing debt facilities with Itaú BBA and the IFC for a combined amount of approximately US\$154 million which together with the Company’s cash on hand are expected to fund substantially all of the expenditure requirements for 2012.

The Company's ability to complete the Itafós Arraias SSP Project could be impaired by certain circumstances such as material foreign exchange variations, world commodity prices and domestic inflation on goods and services 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 July 31, 2011 was \$162,793. As at July 31, 2011 MBAC had 86,374,336 common shares issued and outstanding.

On September 29, 2011 the Company issued 10,829,900 common shares for aggregate proceeds of approximately \$33,573.

## 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 and directors 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 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 year, the Company issued 890,758 share purchase options, compared to 7,123,550 for the prior year. The fair value of these options has been determined to be \$821. During the year the Company recognized a total of \$3,495 in compensation expense (2010 – \$12,285) in connection with these and prior year options and a corresponding increase in contributed surplus. As at July 31, 2011, under the Company's Stock Option Plan, 400,000 stock options to purchase common shares remained available for issuance.

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

	Year ended July 31, 2011	
	Number of options	Weighted average exercise price
Outstanding, beginning of period	7,123,550	\$ 2.69
Granted	890,758	2.46
Exercised	-	-
<b>Outstanding, end of period</b>	<b>8,014,308</b>	<b>\$ 2.67</b>
<b>Exercisable</b>	<b>6,887,417</b>	<b>\$ 2.57</b>

The following common shares and common share options of the Company were outstanding at October 28, 2011:

	Expiry date	Exercise price	Securities outstanding	Common shares on exercise
Common shares	-	-	97,720,219	-
Options	Aug 12 to Nov 27, 2014	\$1.50 to \$3.75	7,287,415	7,287,415

## CONTRACTUAL OBLIGATIONS

The following table lists information with respect to the Company's contractual obligations and respective payment due by period:

	Total	Less than 1 year	1 -3 years	4 -5 years	Thereafter
Mine operating/construction and service contracts	\$ 32,438	\$ 29,967	\$ 2,428	\$ 43	\$ -
Asset retirement obligations	154	-	-	-	154
Office leases	936	427	460	49	-
	<b>\$ 33,528</b>	<b>\$ 30,394</b>	<b>\$ 2,888</b>	<b>\$ 92</b>	<b>\$ 154</b>

## 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 year ended July 31, 2011, MBAC recognized an unrealized foreign exchange loss of \$21, compared to a loss of \$383 recognized in the prior year. The BRL strengthened by 5.0% against the Canadian dollar over the course of the year ended July 31, 2011, resulting in a gain in other comprehensive income of \$3,604 on translation of the Brazilian entities, compared to a Cumulative Translation Adjustment ("CTA") gain of \$565 in the prior year.

## OFF-BALANCE SHEET ARRANGEMENTS

As at July 31, 2011, MBAC did not have any off-balance sheet arrangements.

## INCOME TAXES

MBAC's combined Canadian federal and provincial statutory tax rate was 29.1%. 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 8 to the consolidated financial statements for the year ended July 31, 2011.

During 2011, the Company completed an internal reorganization that resulted in a future tax benefit of \$8,913 in Brazil.

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**

### **MINERAL PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPLETION AND DEPRECIATION**

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

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

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 an indication that 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.

### **INCOME TAXES**

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

### **STOCK-BASED COMPENSATION**

The Company accounts for stock-based compensation that settle 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 the amount recorded in contributed surplus are recorded as share capital.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) CHANGEOVER PLAN

### OVERVIEW

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Therefore, the Company will be required to adopt IFRS for its fiscal year commencing August 1, 2011 and the transition will require the restatement for comparative purposes into IFRS of the amounts and disclosures reported by the Company for its prior fiscal year ended July 31, 2011. Effectively this means that IFRS will need to be implemented August 1, 2010 with an opening balance sheet. During the year ending July 31, 2012, the Company will issue unaudited interim consolidated IFRS financial statements prepared in accordance with IAS 34 – *Interim Financial Reporting* (“IAS 34”) for the periods ending October 31, 2011, January 31, 2012, and April 30, 2012, with a restatement of comparative balance sheets as at July 31, 2011 and August 1, 2010 and statements of earnings and comprehensive income for the comparative periods presented.

### TRANSITION PLAN

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
<b>Accounting policies and procedures:</b>		
<ul style="list-style-type: none"> <li>Identify differences between IFRS and the Company’s existing policies and procedures.</li> <li>Analyze and select ongoing policies where alternatives are permitted.</li> <li>Analyze and determine which IFRS 1 exemptions will be elected on transition to IFRSs.</li> </ul>	<ul style="list-style-type: none"> <li>Senior management approval and audit committee review of policy decisions.</li> <li>Revised accounting policy and procedures in place by changeover date.</li> </ul>	<ul style="list-style-type: none"> <li>Conclusions on IFRS 1 exemptions have been made and disclosed below.</li> <li>Differences arising from IFRS adoption have been identified and decisions have been documented in accounting papers addressing specific policies.</li> <li>Revisions and approval of the Company’s documented accounting policies under IFRS are underway.</li> </ul>
<b>Financial statement preparation:</b>		
<ul style="list-style-type: none"> <li>Prepare financial statements and note disclosures in compliance with IFRS.</li> <li>Quantify the effects of converting to IFRS.</li> <li>Prepare first-time adoption reconciliations required under IFRS 1.</li> </ul>	<ul style="list-style-type: none"> <li>Senior management approval and audit committee review of preliminary skeleton interim financial statements and disclosures.</li> </ul>	<ul style="list-style-type: none"> <li>Draft IFRS financial statements are undergoing a thorough review and approval with the involvement of the Company’s auditors.</li> <li>The identification of significant differences between Canadian GAAP and IFRS impacting the Company’s opening balance sheet for August 1, 2010 is substantially complete. Significant adjustments to the opening balance sheet to date have been disclosed below with the exception of IAS 12 – <i>Income Taxes</i>.</li> </ul>
<b>Training and communication:</b>		
<ul style="list-style-type: none"> <li>Provide topic-specific training to key employees involved with implementation.</li> <li>Develop awareness of the likely impacts of the transition throughout the company.</li> <li>Provide company-specific training on revised policies and procedures to affected personnel.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing training to key personnel as needed.</li> </ul>	<ul style="list-style-type: none"> <li>A professional services firm trained our accounting staff in Brazil. Key management and staff in Toronto attended CICA training on IFRS. Further training will be procured as deemed necessary.</li> <li>The Audit Committee receives quarterly updates on the project’s progress status.</li> </ul>
<b>Business impacts:</b>		
<ul style="list-style-type: none"> <li>Identify impacts of conversion on financial covenants, executive compensation and contracts.</li> </ul>	<ul style="list-style-type: none"> <li>Financial covenant, executive compensation and contract analysis to be completed.</li> <li>Taxation impacts to be identified prior to changeover.</li> </ul>	<ul style="list-style-type: none"> <li>Financial covenant and contract analysis for the impact of IFRS are currently underway.</li> <li>Income tax accounting impact calculation is currently underway.</li> </ul>

<b>IT systems:</b>		
<ul style="list-style-type: none"> <li>Identify changes required to IT systems and implement solutions.</li> <li>Determine implementation solution for capturing financial information under Canadian GAAP and IFRS during the year of transition to IFRS (for comparative information).</li> </ul>	<ul style="list-style-type: none"> <li>Necessary changes to IT systems implemented by changeover date</li> <li>Solution for capturing financial information under Canadian GAAP and IFRSs prior to changeover date.</li> </ul>	<ul style="list-style-type: none"> <li>The upgrade to the Company's financial information system in Toronto is completed.</li> <li>The Company analyzed and concluded that its systems can accommodate the required changes under IFRS.</li> </ul>
<b>Control environment:</b>		
<ul style="list-style-type: none"> <li>Maintain effective Disclosure Controls &amp; Procedures and Internal Controls over Financial Reporting throughout the IFRS project.</li> <li>Design and implement new IFRS processes and controls.</li> </ul>	<ul style="list-style-type: none"> <li>Incremental controls to be developed to reflect the change in accounting standards.</li> <li>Redesigned business process standards and controls to be in place prior to changeover date, as required.</li> </ul>	<ul style="list-style-type: none"> <li>A process has been designed and implemented to provide reasonable assurance on the controls in place relating to the conversion process.</li> <li>At this point in the IFRS project, the Company does not anticipate any significant changes to key internal controls.</li> </ul>

### RECONCILIATION OF CONSOLIDATED BALANCE SHEETS AS REPORTED UNDER CANADIAN GAAP AND IFRS (UNAUDITED)

Note	As at July 31, 2010 Canadian GAAP basis	Effect of conversion to IFRS	As at August 1, 2010 IFRS basis
<b>ASSETS</b>			
<b>Current</b>			
	\$ 63,349	\$ -	\$ 63,349
	773	-	773
	1,450	-	1,450
	576	-	576
	66,148	-	66,148
	564	-	564
(A, E)	9,898	-	9,898
(B, E)	60,704	(1,075)	59,629
	\$ 137,314	\$ (1,075)	\$ 136,239
<b>LIABILITIES</b>			
<b>Current</b>			
	\$ 3,175	\$ -	\$ 3,175
	188	-	188
	3,363	-	
(D)	15,254	TBD	15,254
(F, H(ii))	51	-	51
	18,668	-	18,668
<b>SHAREHOLDERS' EQUITY</b>			
	139,731	-	139,731
(C)	14,264	-	14,264
(G, H(iii))	2,176	(1,833)	343
	(37,525)	758	(36,767)
	118,646	(1,075)	117,571
	\$ 137,314	\$ (1,075)	\$ 136,239

## **A. PROPERTY, PLANT AND EQUIPMENT (“PP&E”)**

Key differences between Canadian GAAP and IFRS with respect to PP&E include component accounting which must be applied to physical and non-physical components which are significant and have a useful life which differs to that of the overall asset, the mandatory capitalization of borrowing costs when directly related to a qualifying asset, choice of cost or revaluation model, treatment of spare parts (usually inventory per IFRS unless specific conditions met), and requirements for the annual review of estimates of useful life, residual value and the depreciation method.

The Company’s componentization analysis determined that the level of componentization of assets under the Company’s policies under Canadian GAAP also meets the IFRS requirements and therefore there are no GAAP differences. The Company did not incur any borrowing costs specifically for acquisition of a qualifying asset. The Company will continue to account for its PP&E using the cost model and treatment of its spare parts as inventory.

## **B. EXPLORATION COSTS AND MINERAL PROPERTIES**

Key differences between Canadian GAAP and IFRS with respect to exploration costs include choice of an accounting policy whether to expense or capitalize exploration and evaluation expenditures whereas under Canadian GAAP these costs were capitalized. Also, IFRS gives the option of adopting the cost or revaluation model for exploration assets.

The Company has elected to expense certain exploration expenditures incurred from the time of acquisition of the legal right to explore a specific mine area until the time where the Company receives an independent pre-feasibility or other study suggesting positive project economics, at which time all further exploration costs will be capitalized. Under Canadian GAAP, all such costs were capitalized by the Company. The Company will continue to account for its exploration assets and mineral properties using the cost model.

The Company has recorded an adjustment of \$1,075 to account for this transition.

## **C. SHARE-BASED PAYMENTS**

IFRS 2 – *Share-based Payments* entails that the fair value of the charge for stock-based compensation includes an estimate of the forfeiture rate which will arise over the life of the stock options granted, whereas under Canadian GAAP, the Company would recognize forfeitures as they occur. Based on the historical forfeiture analysis performed for the Company’s stock options, the impact of the difference in policy is not material.

## **D. INCOME TAXES**

The income taxes impact of the change to IFRS is currently being assessed.

## **E. IMPAIRMENT OF ASSETS**

Under Canadian GAAP, a two-step approach to impairment testing is performed: firstly, the asset carrying value is compared with its undiscounted future cash flow to determine whether impairment exists. The impairment is then measured by comparing the asset’s carrying value with its fair value. IAS 36, *Impairment of Assets (“IAS 36”)*, requires the application of a one-step approach for both testing for and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use and includes the use of discounted cash flows when a cash flow model is used. IAS 36 also requires the reversal of impairments for long-lived assets if conditions that gave rise to these impairments no longer exist. It is expected that there may be increased volatility in impairment recognition due to the possibility of more frequent impairments and the reversal of impairments under IFRS. Under IAS 36, to the extent possible, individual assets should be tested for impairment. However, if it is not possible to determine the recoverable amount of an individual asset, an entity should determine the recoverable amount of the Cash Generating Unit (“CGU”), which is the lowest level at which the assets generate independent cash inflows. Differently,

under Canadian GAAP, impairment assessment and testing is done at the level of an asset group. The asset group is the lowest level where there are independent cash flows (as opposed to cash inflows). However, no difference between asset groups previously classified under GAAP and CGU's have been identified.

The Company concluded that the historical impairment recognized for Pyrite option and abandonment of Apuí and Anebá projects should not be reversed and no additional impairment is required under IFRS.

#### **F. ASSET RETIREMENT OBLIGATIONS (“ARO”)**

Differences in this area between Canadian GAAP and IFRS that are being assessed include the recognition of provisions based on the concept of legal and constructive obligations, when probable (“more likely than not” or greater than 50%) and the measurement requirements for discounting using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the liability. The Company’s ARO analysis determined that the impact of the difference between GAAP and IFRS is not material and as such no adjustment was recorded.

#### **G. FOREIGN CURRENCIES**

IFRS uses a functional currency concept, where the functional currency is defined as the currency of the primary economy in which the entity operates (sales prices, costs of labour, etc.), whereas under Canadian GAAP the functional currencies are effectively determined as a result of the translation method used (integrated vs. self-sustaining). Furthermore, under IFRS, upon translation of foreign operations (self-sustaining – Canadian GAAP) and the translation of an entity into a different presentation currency, there is an accounting policy choice with respect to the translation of equity items (historical rates vs. current rates).

Based on the functional currency analysis performed by the Company, there is no change to the functional currencies currently being used under Canadian GAAP. The Company will continue to use the Brazilian Reais as the functional currency of its Brazilian operations and the Canadian Dollar for the Canadian entities and holding companies.

#### **H. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

IFRS 1, *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”), sets forth guidance for the initial reporting of IFRS. Commencing with the period ended October 31, 2011 the Company will restate its comparative fiscal 2011 financial statements for annual and interim periods to be consistent with IFRS. In addition, the Company will reconcile equity and comprehensive income from the previously reported fiscal 2011 Canadian GAAP amounts to the restated fiscal 2011 IFRS amounts. IFRS generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 provides for certain mandatory exceptions and optional exemptions to this general principle.

The mandatory exception from retrospective application of IFRS applicable to the Company is as follows:

- Estimates used in preparing the Company’s opening consolidated IFRS balance sheet as at August 1, 2010 and restating its 2011 comparative periods under IFRS must be consistent with estimates previously made for the same date under Canadian GAAP, after adjustments to reflect any difference in accounting policies, unless there is an objective evidence that those estimates were in error. More specifically, an entity may be in possession of information about estimates it made under Canadian GAAP that was not available at the time those estimates were made. IFRS 1 requires the receipt of such information to be accounted for prospectively. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

The significant exemptions from retrospective application of IFRS the Company has elected to apply in preparing its first consolidated IFRS financial statements include:

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 August 1, 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 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 historical 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.

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 August 1, 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 IFRS. The fair value of these assets is deemed to be their cost base for accounting purposes as of that date or at an earlier date. This option is available on an individual asset basis. The Company has decided not to take this election and maintain the assets at their respective cost base.

## RELATED PARTY TRANSACTIONS

The Company did not enter into any new related party transactions outside of the normal course of operations during the year.

## 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 gained significantly this year from US\$600 per tonne beginning of the calendar year to \$660 per tonne at the end of August 2011. The strong rebound in the price of fertilizer is being driven primarily by global demand for food resulting in rising crop prices which supports increased fertilizer demand by farmers.

Cost of food prices have been increasing and measured by the international agency Food and Agriculture Organization (a UN Organization). The Food Price Index in July was 232 close to 238 the highest reached this decade in February 2011.

Agribusiness export revenues reached US\$ 43 billion as Brazilian sector exports grew by 23% in the first half of calendar year 2011. In the first six months of 2011, Brazilian agribusiness recorded a US\$ 34.7 billion trade surplus. According to the Brazilian Ministry of Agriculture, it is 20.5% higher than the surplus recorded in the same period of last year. The surplus was mainly due to the increase in exports of soybean, soy oil, meats, sugar and ethanol, forestry products and coffee. These products combined account for 82.4% of total exports during the period, or US\$ 35.5 billion. The expectation is the total exports will reach US\$ 90 billion of the calendar year 2011, 18% higher than 2010. Agribusiness growth is 9% double that of national GDP growth rate.

According to ANDA (National Association for the Promotion of Fertilizers), total consumption of fertilizers in Brazil from January to July 2011 was 13.9Mt, which was 27% higher than 10.9Mt in 2010. The Brazilian production of fertilizers increased by 5% from January to July 2011 compared to the same period in 2010.

Demand for phosphate is expected to remain strong for the remainder of 2011. SSP prices in the Company's target region in July was approximately US\$420 per tonne, significantly higher than the US\$250 per tonne price used as the basis for the DFS Technical Report completed in the fall of 2010.

## **RISKS AND UNCERTAINTIES**

Exploration, development and mining of minerals involve numerous inherent risks. As such, an investment in the securities of the Company is subject to various risks. 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.

In addition to the other information contained in this MD&A and the Company's other publicly filed disclosure documents, investors should give careful consideration to the following factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. Any of the matters highlighted in these risk factors could have a material adverse effect on the Company's business prospects or financial condition. Readers are also encouraged to read and consider the risk factors more particularly described in the Company's Annual Information Form for the year ended July 31, 2011.

### **UNCERTAINTY IN THE ESTIMATION OF MINERAL RESERVES AND MINERAL RESOURCES**

The calculation of reserves, resources and corresponding grades being mined or dedicated to future production are imprecise and depend on geological interpretation and statistical inferences or assumptions drawn from drilling and sampling analysis, which might prove to be unpredictable. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Until resources are actually mined and processed, the quantity of resources and grades must be considered to be estimates only. Any material change in the quantity of reserves, resources, grade or stripping ratio may affect the economic viability of MBAC's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests.

### **MINE DEVELOPMENT AND COMPLETION**

Feasibility studies are used to determine the economic viability of a mineral deposit. Many factors are involved in the determination of the economic viability of a deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating estimates and the estimate of future commodity prices. Capital and operating cost estimates are based on many factors, including anticipated tonnage and grades of ore to be mined, the configuration of the ore body, ground and mining conditions, expected recovery rates of the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and, as a result, the Company cannot give any assurance that the estimates in the DFS will be correct or that the project will produce profitable operating

mine(s). If a mine is developed, actual operating results may differ from those anticipated in the DFS. There can be no assurance that delays will not be experienced.

### **OPERATING AND POLITICAL RISKS**

The Company holds mining properties in Brazil and is exposed to the laws governing the mining industry in that country. The government in Brazil is currently supportive of the mining industry but changes in government regulations including taxation, the repatriation of profits, restrictions on production, export controls, environmental compliance, expropriation of property, shifts in the political stability of the country and labour unrest could adversely affect the Company and its exploration and production initiatives in Brazil.

To mitigate land title risks, the Company makes no commitments and does not undertake exploration without first determining that necessary property rights are in good standing. However, despite the Company's best efforts, land title may still be affected by undetected defects.

### **INCOME TAXES**

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.

### **CURRENCY FLUCTUATIONS**

Currency fluctuations may affect MBAC's capital costs and the costs that MBAC incurs in its operations. The appreciation of the Brazilian real against the Canadian dollar would increase the costs of phosphate production at such mining operations, which could materially and adversely affect MBAC's earnings and financial condition.

### **CREDIT RISKS**

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. For cash, cash equivalents and accounts receivable, credit risk is represented by the carrying amount on the balance sheet. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure to each counterparty and monitoring the financial condition of counterparties.

### **EQUIPMENT AND SUPPLIES**

The Company is dependent on various supplies and equipment to carry out its exploration activities and mining operations. The shortage of supplies, equipment and parts could have a material adverse effect on its ability to carry out its operations and therefore limit or increase the cost of exploration and related activities. An increase in demand for services and equipment could cause project, exploration, development or construction costs to increase materially, could result in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and could increase potential scheduling difficulties and costs due to the need to coordinate the availability of services or equipment. Any such material increase in costs would adversely affect the Company's results of operations and financial condition.

### **COMMODITY PRICES**

The profitability of MBAC's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of MBAC. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on MBAC's business, financial condition and results of operations. Furthermore, reserve and/or resource calculations and life-of-mine plans using significantly lower mineral prices could result in material write-downs of MBAC's investment in mining properties and increased amortization, reclamation and closure charges. In addition to adversely affecting

MBAC's resource estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

## **ENVIRONMENTAL RISKS AND HAZARDS**

All phases of MBAC's operations are subject to environmental regulation in Brazil. These regulations mandate, among other things, water quality standards and land reclamation and regulate the generation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect MBAC's business, financial condition and results of operations.

Environmental hazards may also exist on the properties in which MBAC holds interests that are unknown to MBAC at present and that have been caused by previous or existing owners or operators of the properties. Government environmental approvals and permits are currently, or may in the future be, required in connection with MBAC's operations. To the extent that such approvals are required and not obtained, MBAC may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including MBAC, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on MBAC and cause increases in exploration expenses and, capital expenditures or abandonment or delays in development of new mining properties.

## **DEPENDENCE UPON KEY MANAGEMENT PERSONNEL AND EXECUTIVES**

MBAC is dependent upon a number of key management personnel. The loss of the services of one or more of such key management personnel could have a material adverse effect on MBAC. MBAC's ability to manage its operating, development, exploration and financing activities will depend in a large part on the efforts of these individuals. MBAC faces intense competition for qualified personnel, and there can be no assurance that MBAC will be able to attract and retain such personnel. MBAC has entered into employment agreements with certain of its key executives.

## **FINANCING RISKS**

The development of the Itafós Expansion Project is 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. Phosphate prices fluctuate and are affected by many factors outside of MBAC's control. The price of phosphate and future expectations for such price may have a material impact on the market sentiment for investment in mining and mining exploration companies.

## **CURRENT GLOBAL FINANCIAL CONDITIONS**

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to credit and financing has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of MBAC to obtain financing in the future on terms favourable to MBAC. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses.

## 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 July 31, 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 period from May 1, 2011 to July 31, 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.

During the year, 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. Accordingly, the CEO and CFO have concluded that the design of the internal controls over financial reporting were effective as of the end of the period covered by this MD&A and have concluded that they are effective at a reasonable assurance level.

## 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, the responsible qualified person, within the meaning of NI 43-101 who has reviewed and approved the scientific and technical information contained in this MD&A is Carlos Guzmán of NCL.

## 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 can potentially produce 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.