

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



**FOR THE THREE MONTHS ENDED OCTOBER 31, 2011 AND 2010**

# 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 unaudited interim consolidated financial statements of MBAC Fertilizer Corp. ("MBAC" or the "Company" or "we") for the three months ended October 31, 2011 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). In the financial statements and this MD&A, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. This MD&A contains "forward-looking information" that is subject to certain risk factors including those set out in the cautionary note and elsewhere in this MD&A and in the Company's current Annual Information Form. All figures are in thousands of Canadian dollars ("\$"), except price per tonne and earnings per share, unless otherwise noted. This MD&A has been prepared as of January 13, 2012. 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 "quarter", "three month period" or "Q1 2012" shall refer to the period from August 1, 2011 to October 31, 2011. References to "comparative quarter" or "Q1 2011" shall refer to the period from August 1, 2010 to October 31, 2010.*

*Subsequent to quarter end, the Company approved a change in its year end to December 31<sup>st</sup> from July 31<sup>st</sup>. Furthermore, the Company will change its presentation currency from the Canadian Dollar ("CAD") to the United States Dollar. The Company's transition period will be the five (5) months ended December 31, 2011. The comparative reporting period will be the 12 months ended July 31, 2011. The filing deadline for these financial statements is March 30, 2012. The new financial year will align the Company's year end with that of its peers and with its budgeting and operational cycles.*

## CORE BUSINESS

MBAC Fertilizer Corp. is a Canadian-based company, listed on the Toronto Stock Exchange ("TSX") under the symbol "MBC" and quoted on the OTCQX International under the symbol "MBCFF". The Company's vision is to become a significant integrated producer of phosphate and potash fertilizers in the Brazilian and Latin American markets. 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 goal for this operation is to become a significant producer of Single Super Phosphate ("SSP") through the exploitation of its mineral resources and the development and construction of a substantial SSP production facility (the "Itafós Arraias SSP 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.

MBAC is also currently working on two (2) additional projects, namely the Santana Phosphate Project and a rare earth oxide/niobium/phosphate project called the Araxá Project. These projects are expected to contribute to MBAC's growth over the next several years and bring significant value to the Company's shareholders. The Company continues to search for additional fertilizer opportunities in the Brazilian and other Latin American markets, where strong agricultural fundamentals and unique opportunities are expected to provide attractive growth opportunities in the near future.

## 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, situated in the city of Arraias, Tocantins. The table below summarizes the tonnage of phosphate extracted, processed and sold during the three months ended October 31, 2011 and during the comparative quarter.

(In tonnes)	Three months ended October 31,	
	2011	2010
Extracted	56,587	32,367
Processed	20,138	25,629
Sold	20,637	21,148
Revenue	\$ 2,156	\$ 2,262
Avg. selling price per tonne	\$ 104.47	\$ 106.96

### 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 prior year 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.

	Oct-Dec 2011	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012
Engineering	○				
Detailed engineering	○				
Environmental studies	○				
Operating 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, which confirmed the environmental feasibility of the project, was granted in December 2010 by Instituto Natureza do Tocantins (NATURANTINS), Tocantins state environmental agency. The construction license was granted once certain conditions defined with the issuance of the preliminary license were satisfied; construction began in March 2011. The operating license is expected to be issued after the construction of the mine and all facilities are completed in accordance with the protocols established in the previous two licenses.

Since receiving the construction license the Company placed orders for several capital items including the sulphuric acid plant which is the longest lead item for the Itafós Arraias SSP Project. To date, the Company has invested R\$84 million (approximately \$49 million) in the Itafós Arraias SSP Project representing 17% of the total planned capital expenditures for the project; and has substantially completed earthworks, concluded drilling required to detail the mining plan, acquired the necessary mine fleet and commenced the water dam construction.

### Highlights of the DFS Technical Report

The DFS Technical Report supports an open pit mining operation, crushing of 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<sup>1</sup>

- 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 and 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>2</sup>:

Category	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 DFS Technical Report was prepared using a USD/BRL foreign exchange rate of 2:1. Accordingly, since the project capital costs, revenues and expenses are substantially denominated in BRL, a change in the USD/BRL foreign exchange rate will impact the project economics presented in the DFS Technical Report.

<sup>2</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.

## HIGHLIGHTS AND OVERALL PERFORMANCE

### THREE MONTHS ENDED OCTOBER 31, 2011

#### Highlights

- Invested \$30,913 in property, plant and equipment and \$2,354 in mineral properties.
- Recorded quarterly sales of \$2,156 compared to \$2,262 for the comparative quarter.
- Extracted 56,587 tonnes, produced 20,138 tonnes, and sold 20,637 tonnes of phosphate.
- Cash balance of \$80,445 as at October 31, 2011.
- Completed equity financing for aggregate proceeds of \$33,514, net of transactions costs.
- Executed loan agreement with Itaú BBA (“Itaú/BNDES”) securing R\$205 million project financing, of which R\$11.8 million was made available during the quarter in the form of a FINAME machinery and equipment loan.
- Reported initial PEA and Resource Estimate for the Santana Phosphate Project.
- Exercised option to purchase the Araxá rare earth oxide/niobium/phosphate project.
- Subsequent to quarter end,
  - announced results of NI 43-101 compliant initial inferred mineral resource estimate for the rare earth oxides (“REO”) at the Araxá Project.
  - signed a US\$40 million loan agreement with IFC and received a commitment for an additional US\$25 million in syndicated project financing bringing the aggregate IFC project financing facility to US\$65 million; and
  - received first disbursement under the Itaú/BNDES project financing facility.

## FINANCIAL INFORMATION

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

### RESULTS OF OPERATIONS

	Three months ended October 31,	
	2011	2010
Revenue	\$ 2,156	\$ 2,262
Cost of sales	1,683	892
Gross profit	473	1,370
Selling, general and administrative expenses	4,163	4,079
Exploration and evaluation expenditures	1,041	655
Operating loss	(4,731)	(3,364)
Foreign exchange loss	(357)	(12)
Other income (loss), net	(5)	21
Realized gain on available-for-sale securities	-	642
Interest income	779	106
Loss before income taxes	(4,314)	(2,607)
Current income tax expense	29	-
Deferred income tax recovery	(785)	(23)
	(756)	(23)
Net loss	\$ (3,558)	\$ (2,584)
Basic and diluted net loss per common share	\$ (0.04)	\$ (0.04)

## FOR THE THREE MONTHS ENDED OCTOBER 31, 2011

### Revenue and cost of sales

MBAC extracted 56,587 tonnes (Q1 2011 – 32,367) of phosphate ore during the quarter ended October 31, 2011. The Company processed 20,138 tonnes (Q1 2011 – 25,629) of phosphate rock and sold 20,637 tonnes (Q1 2011 – 21,148) of processed phosphate, which generated revenue of \$2,156 (Q1 2011 – \$2,262) at an average selling price of \$104.47 per tonne (Q1 2011 – \$106.96 per tonne).

The Company realized a gross profit before idle capacity charges of \$840 (Q1 2011 – \$1,370) on sales of 20,637 tonnes (Q1 2011 – 21,148 tonnes), representing \$40.70/tonne (39%) down from \$64.78/tonne (61%). Cost of sales has increased primarily due to an increase in maintenance costs and equipment rentals incurred during the quarter.

During the quarter, the Company also charged \$367 (Q1 2011 – \$Nil) to cost of sales for idle capacity charges, representing fixed overhead costs incurred notwithstanding lower than normal levels of production.

Three months ended October 31,						
			2011	2010		
Sales	\$	2,156	100 %	\$	2,262	100 %
Cost of sales before idle capacity costs		1,316	61 %		892	39 %
Gross profit before idle capacity costs		840	39 %		1,370	61 %
Idle capacity costs		367	17 %		-	- %
Gross profit	\$	473	22 %	\$	1,370	61 %

### Selling, general and administrative expenses

Selling, general and administrative expenses during the quarter were \$4,163 (Q1 2011 – \$4,079). The decline over the prior comparative quarter is a result of substantially lower share-based payments expense (Q1 2012 – \$612 vs. Q1 2011 – \$1,385).

The majority of other selling, general and administrative expenses were attributable to salaries and labour taxes of \$1,294 (Q1 2011 – \$1,088), office and general expenses of \$461 (Q1 2011 – \$242), professional fees of \$729 (Q1 2011 – \$296) and selling expenses of \$391 (Q1 2011 – \$503).

### Deferred income tax recovery

A deferred tax recovery of \$785 was recorded during the three month period (October 31, 2010 – \$55) in respect of operating losses of MBAC's wholly owned subsidiary that are available for carry-forward.

### Net loss

Loss for the quarter was \$3,558 compared to a net loss of \$2,584 in the comparative quarter.

## FINANCIAL CONDITION

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

## BALANCE SHEET

	October 31, 2011	July 31, 2011
Cash and cash equivalents	\$ 80,445	\$ 73,060
Other current assets	7,476	4,775
Long-term accounts receivable	183	573
Property, plant and equipment	56,322	27,222
Mineral properties	63,446	64,194
<b>Total Assets</b>	<b>\$ 207,872</b>	<b>\$ 169,824</b>
Current liabilities	\$ 13,672	\$ 9,106
Long-term debt	6,841	-
Deferred income taxes	1,457	2,366
Provision for environmental restoration	147	154
<b>Total Liabilities</b>	<b>22,117</b>	<b>11,626</b>
Shareholders' equity	185,755	158,198
<b>Total Liabilities and Shareholders' equity</b>	<b>\$ 207,872</b>	<b>\$ 169,824</b>

### Assets

Total assets include cash and cash equivalents of \$80,445 (July 31, 2011 - \$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 quarter, MBAC acquired and constructed property, plant and equipment of \$30,913 (Q1 2011 - \$1,212). Depreciation and depletion of property, plant and equipment and mineral properties for the quarter was \$376 (Q1 2011 - \$162).

### Liabilities

Total liabilities are comprised of accounts payable, deferred revenue, provision for environmental restoration, long-term debt and future income taxes. Accounts payable primarily include trade payables of \$2,938 (July 31, 2011 - \$1,311), payroll liabilities of \$1,243 (July 31, 2011 - \$3,153), accruals related to the Itafós Arraias SSP Project of \$5,482 (July 31, 2011 - \$3,347) and other liabilities of \$3,830 (July 31, 2011 - \$1,295). The deferred income tax liability of \$1,457 (July 31, 2011 - \$2,366) comprises the deferred income taxes that arose on the acquisition of the Itafós, net of deferred 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 deferred income tax liabilities will reverse and be credited to income (see "Income Taxes" section).

### Shareholders' Equity

	October 31, 2011	July 31, 2011
Share capital	\$ 215,527	\$ 179,632
Contributed surplus	17,228	17,759
Accumulated other comprehensive income	(730)	3,519
Deficit	(46,270)	(42,712)
	<b>\$ 185,755</b>	<b>\$ 158,198</b>

## CASH FLOW INFORMATION

Three months ended October 31,

	2011	2010
Cash flows used in operating activities	\$ (5,374)	\$ (4,654)
Cash flows used in investing activities	(27,963)	(1,047)
Cash flows from financing activities	41,402	-
Foreign currency effect on cash	(680)	(57)
Increase (decrease) in cash	\$ 7,385	\$ (5,758)

### Three months ended October 31, 2011

#### Operating activities

Cash outflow to operating activities of \$5,374, net of contributions from other items not affecting cash of \$535 financed the net loss for the quarter of \$3,558 and non-cash working capital items of \$2,351.

#### Investing activities

During the quarter, the Company invested \$27,963 of cash, comprised primarily of investments in property, plant and equipment totalling \$25,702 (Q1 2011 - \$1,212), and exploration, evaluation and mine development expenditures of \$2,354 (Q1 2011 - \$621).

#### Financing activities

- Raised net cash proceeds of approximately \$33,514 (Q1 2011 - \$Nil) through the issuance of common shares pursuant to an equity financing from the IFC;
- Received of R\$11.5 million (approximately \$6,650) from machinery and equipment loans with the Brazilian Development Bank ("BNDES") under its FINAME program; and
- Received cash proceeds of \$1,238 from the exercise of 515,983 options were at \$2.40 per share.

## SUMMARY OF QUARTERLY RESULTS (Unaudited)

Three months ended

	Q1 2012 IFRS	Q4 2011 IFRS	Q3 2011 IFRS	Q2 2011 IFRS
Net Sales	\$ 2,156	\$ 2,572	\$ 773	\$ 957
Net income (loss) - total	\$ (3,558)	\$ (6,962)	\$ (3,209)	\$ 6,444
Basic net income (loss) - per share	\$ (0.04)	\$ (0.09)	\$ (0.04)	\$ 0.09
Total assets	\$ 207,872	\$ 169,824	\$ 168,783	\$ 130,861

Three months ended

	Q1 2011 IFRS	Q4 2010 CGAAP <sup>3</sup>	Q3 2010 CGAAP	Q2 2010 CGAAP
Net Sales	\$ 2,262	\$ 924	\$ 63	\$ 388
Net loss - total	\$ (2,584)	\$ (15,807)	\$ (4,827)	\$ (8,866)
Basic net loss - per share	\$ (0.04)	\$ (0.22)	\$ (0.07)	\$ (0.15)
Total assets	\$ 135,385	\$ 137,314	\$ 150,798	\$ 153,749

<sup>3</sup> Canadian generally accepted accounting principles ("CGAAP")

## LIQUIDITY AND CAPITAL RESOURCES

Cash as at October 31, 2011 was \$80,445 compared to \$73,060 at July 31, 2011. 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 September 29, 2011 the Company issued 10,829,900 common shares for aggregate proceeds of approximately \$33,573 less transaction costs of \$59 for net proceeds of \$33,514. The proceeds will be used to advance the Itafós Arraias SSP Project.

Subsequent to the quarter end the Company signed a US\$40 million loan agreement with IFC and received a commitment for an additional US\$25 million in syndicated project financing bringing the aggregate IFC project financing facility to US\$65 million.

## EXPECTED SOURCES AND USES OF FUNDS

For the 12 months ending October 31, 2012, management expects that its cash sources and uses will be as follows:

	In millions	
<i>Expected uses of funds:</i>		
Itafós Arraias SSP Project	\$	240
Itafós Campos Belos RNP Operations		2
Other general and administrative expenses		5
		<u>247</u>
<i>Expected sources of funds:</i>		
Cash on hand		80
Expected proceeds from project financings		177
		<u>257</u>
Available for exploration and mine development activities	\$	<u>10</u>

The Company's ability to complete the Itafós Arraias SSP Project could be impaired by changes in market conditions such as material variations in foreign exchange rates, world commodity prices and inflation on goods and services.

## CAPITALIZATION

Shareholders' equity as at October 31, 2011 was \$185,755. As at October 31, 2011, MBAC had 97,720,219 common shares issued and outstanding.

## 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 result in the Itafós Arraias SSP Project producing an additional 500,000 tonnes of SSP per annum as early as 2015.

The Company engaged Wardrop to prepare the Resource Estimate which confirmed 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:

<i>Blocks</i>	Tonnage (Mt)	P <sub>2</sub> O <sub>5</sub> %
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 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 these 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 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 proposed expansion project, which is in close proximity to the Itafós Arraias SSP Project, could potentially justify the development of Itafós - Phase II.

### SANTANA PHOSPHATE PROJECT

During the quarter the Company announced the results of the Preliminary Economic Assessment ("PEA") for the phosphate project located in the southeast of Pará State, Brazil (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, each of whom is a "qualified person" as that term is defined in NI 43-101. Certain of the following information is based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Santana Project PEA which has been filed with the 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>4</sup>; and
- 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; and
- 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 a pre-feasibility study by early calendar 2012 and a bankable feasibility study by the first calendar quarter of 2013 for the Santana Project.

## ARAXÁ PROJECT

During the quarter the Company exercised its option to purchase 100% of the rare earth oxide/niobium/phosphate project (the “Araxá Project”) located in the southwestern part of Minas Gerais State, Brazil. No additional funds were paid upon exercising the option.

On December 6, 2011 the Company announced the results of a NI 43-101 compliant independent inferred mineral resource estimate for the REOs. The inferred mineral resource estimate is based on 35 diamond drill holes (3,485 metres), 68 auger holes (381 metres) and 43 pits (436 metres). The mineral resource was classified by Mr. Beau Nicholls, the qualified person responsible for the technical disclosure regarding the Araxá Project.

**Highlights of the mineral resource estimate:**

- Comprises 2.7 Mt with an average total rare earth oxide (“TREO”) content of 8.39% (using a 6% TREO cut-off) and an average of 1.4% Nb<sub>2</sub>O<sub>5</sub> and 9.9% P<sub>2</sub>O<sub>5</sub>.
- Heavy rare earth oxides (“HREO”) represent 2.22% of TREO based on the recent MBAC assays.
- An additional exploration target has been defined by existing wide-spaced diamond drill holes consisting of between 28 Mt and 34 Mt at between 4% TREO and 6% TREO.

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<sup>4</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.

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 Araxá Project is situated hosts excellent infrastructure and is home to one of the largest Brazilian phosphate mines currently owned and operated by Vale.

### **CARMO PHOSPHATE PROJECT**

During the prior 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.

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

During the prior 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 prior 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.

## OUTLOOK AND STRATEGY FOR 2012

The Company's vision is to be a significant integrated producer of phosphate and potash fertilizer in Brazil and other Latin American markets. The Company's primary focus is to construct and operate the Itafós Arraias SSP Project with start of production targeted for calendar Q4 2012. The project continues to advance on a timely basis. The Company received its construction license in March 2011 and has substantially completed the earthworks and has commenced the civil construction of the industrial complex and the water dam.

With the Itafós Arraias SSP Project well under way, MBAC continues to advance two other notable projects in its pipeline which are expected to provide continuing growth in the future – the Santana Project and the Araxá Project.

MBAC is aggressively pursuing a drilling campaign at its Santana Project located in Pará State in northern Brazil. The Santana Project is strategically located in close proximity to extensive farmland in the northern Mato Grosso State, one of the largest grain and soya producing states in Brazil and one of the fastest growing agricultural frontiers in the world. In addition, Santana is also located in a key geographical area for animal feed supplement business as MBAC can potentially produce DCP an animal feed product in the future. The Company completed a NI 43-101 inferred resource estimate 33.5 Mt with a high grade of 12.4%. MBAC also completed a PEA of the Santana Project based on a 500,000 tonnes per year through the SSP plant. The result of the study was a robust project with IRR greater than 26% and an NPV of US\$423 million. The high grade of the Santana deposit will allow for producing higher grade phosphate products such as TSP and DCP. MBAC plans to actively pursue its drilling campaign and to complete a pre-feasibility study in the first calendar quarter of 2012, and expects to complete a feasibility study by early calendar 2013.

The Company believes that the Santana Phosphate Project, together with the Itafós Arraias SSP Project, has the potential to make MBAC the largest phosphate producer in the Northern Brazil and the second largest fertilizer producer in Brazil.

In September 2011, MBAC exercised its option to purchase the Araxá Project which is located in the fertilizer cluster of Brazil and hosts significant grades of phosphates, rare earth elements and niobium. The Araxá Project has near surface rare earth oxides combined with niobium which overlays the phosphate deposit. Currently, 95% percent of rare earth elements consumed globally is supplied by China. Due to the expectation of increased demand of the rare earth material by China in the future, environmental deterioration and curbing of illegal production, quotas have been established by Chinese authorities to promote the retention of REOs for internal use. Due to restrictions on quantities imposed by the Chinese authorities and lack of supply from elsewhere globally, REOs have seen a significant rise in prices for downstream users of these elements. Rare earths are widely used in a variety of industry from catalysts in petroleum industry, glass polishing, cell phones and electronic displays etc. Rare metals are key inputs to develop a green economy and modern day communication. Araxá property has been extensively drilled since 1950's and a lot of information is available on this property. Based on current market prices and future market demand MBAC will be in a position to strategically exploit this resource to create value for its investors. The initial NI 43-101 resource report for Araxá deposit was completed in December 2011 which shows the inferred mineral resource estimate comprises 2.7 Mt with an average TREO content of 8.39% (using a 6% TREO cut-off) and an average grade of 1.4% Nb<sub>2</sub>O<sub>5</sub> and 9.9% P<sub>2</sub>O<sub>5</sub>. HREO represent 2.22% of the TREO based on the recent MBAC assays. The Company believes that these grades place the Araxá Project deposit as one of the highest grade REO deposits in the world. The Company plans to continue to aggressively pursue drilling and metallurgical tests in an effort to complete a PEA and pre-feasibility study in calendar 2012. MBAC is also entered into discussions with third-parties regarding off-take contracts for the products from the Araxá Project.

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

## STOCK-BASED INCENTIVE PLANS

The Company has established a stock option plan (the “Stock Option Plan”) designed to provide a long-term incentive to eligible participants, comprised of employees, officers, directors and consultants of the Company. The maximum number of options that may be granted under the Stock Option Plan is equal to 10% of the issued and outstanding common shares at the date of grant, subject to the Restricted Maximum (as defined and discussed below). In connection with the reverse take-over transaction with MBAC Opportunities and Financing Inc., the Company agreed, among other things, not to, without the prior approval of two-thirds of the common shares held by disinterested shareholders represented at a meeting either in person or by proxy, (i) issue options to purchase more than 66,909 common shares under the Stock Option Plan, or (ii) amend any material terms of the Stock Option Plan. On December 7, 2010, disinterested shareholders authorized the issuance of up to an additional 1,223,849 stock options under the Stock Option Plan. Accordingly, there is a maximum of 1,290,758 stock options permitted to be granted under the Stock Option Plan without further shareholder approval (the “Restricted Maximum”), of which 1,290,758 were issued and are outstanding. As of October 31, 2011, no stock options remain available for issuance under the Stock Option Plan.

The vesting of stock options is at the discretion of the Board of Directors. Also, stock options granted under the Stock Option Plan cannot have an exercise price that is less than the trading price of the common shares on the day immediately preceding the grant date, and are exercisable for a period to be determined by the Board.

During the quarter the Company issued 400,000 stock options with a fair value of \$382 (Q1 2011 – 66,909 with a fair value of \$68). The Company recognized a total expense of \$612 for the quarter (Q1 2011 – \$1,385) in compensation expense and a corresponding increase in contributed surplus. For the three months ended October 31, 2011, 515,983 options were exercised at the exercise price of \$2.40 per share (Q1 2011 – NIL) for a total cash consideration of \$1,238.

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

	Three months ended October 31, 2011	
	Number of options	Weighted average exercise price
Outstanding, beginning of period	8,014,308	\$ 2.67
Granted	400,000	2.83
Exercised	(515,983)	2.40
Forfeited	(210,909)	3.00
Outstanding, end of period	<b>7,687,416</b>	<b>\$ 2.69</b>
Exercisable	<b>6,560,524</b>	<b>\$ 2.58</b>

The following common shares and stock options of the Company were outstanding at January 13, 2012:

	Expiry date	Exercise price	Securities outstanding	Common shares on exercise
Common shares	-	-	97,720,219	-
Stock options	Aug 12 to Nov 27, 2014	\$1.50 to \$3.75	7,687,416	7,687,416

## CONTRACTUAL OBLIGATIONS

The following table lists information with respect to the Company's contractual obligations and respective payment due by period, as at October 31, 2011:

	Total	Less than 1 year	1 -3 years	4 -5 years	Thereafter
Mine operating/construction and service contracts	\$ 48,583	\$ 47,225	\$ 1,355	\$ 3	\$ -
Provision for environmental restoration	147	-	-	-	147
Office leases	826	413	413	-	-
	\$ 49,556	\$ 47,638	\$ 1,768	\$ 3	\$ 147

## 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 (CAD/BRL) may significantly impact the consolidated results of operations and the consolidated reported net assets. The effect of changes in currency fluctuations on the operations' net assets is recorded in the Company's shareholders' equity as a cumulative translation adjustment.

For the three months ended October 31, 2011, MBAC recognized an unrealized foreign exchange loss of \$357 (Q1 2011 - \$12). The BRL weakened by 4.9% against the Canadian dollar during the quarter, resulting in a loss in other comprehensive income of \$4,249 on translation of the Brazilian entities, compared to a gain of \$1,416 in the same period last year.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## INCOME TAXES

MBAC's combined Canadian federal and provincial statutory tax rate was 27.09%. 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. The actual effective tax rate for the three month period ended October 31, 2011 is 17.52% (October 31, 2010 - 0.89%). A reconciliation of the Company's statutory rate to the effective tax rate is provided in Note 12 to the interim consolidated financial statements for the quarter ended October 31, 2011.

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its financial statements in accordance with IFRS. 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 Company's critical estimates have not changed under IFRS from the estimates described in the July 31, 2011 year end "Management's Discussion and Analysis".

The Company's significant accounting policies are summarized in Note 3 of the unaudited interim consolidated financial statements for the three months ended October 31, 2011.

## TRANSITION TO IFRS

### INITIAL ADOPTION

In February 2008, the Canadian Accounting Standards Board confirmed that 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. The Company adopted IFRS for its fiscal year commencing August 1, 2011. The three months ended October 31, 2011 is the Company's first reporting period under IFRS.

The Company's IFRS accounting policies are presented in notes 2 and 3 of the interim consolidated financial statements. They have been applied in preparing the interim consolidated financial statements for the period ended October 31, 2011, the comparative information and the opening statement of financial position as at the date of transition.

The first interim IFRS consolidated financial statements were prepared according to IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in note 18 of the interim consolidated financial statements. This note also includes reconciliations of equity and comprehensive loss for comparative periods reported under Canadian GAAP to those reported for those same periods under IFRS.

### POST-IMPLEMENTATION

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. The Company notes that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that have been selected. In particular, there may be additional new revised IFRSs or IFRS Interpretations Committee ("IFRIC"). Updates in relation to consolidation, financial instruments, discontinued operations, leases, employee benefits, revenue recognition and stripping costs in the production phase of a surface mine. The International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact the Company's financial statements. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

### INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES UNDER IFRS

One of the more significant consequences of adopting IFRS identified to date is the expanded presentation and disclosure required. Disclosure under IFRS generally requires more breadth and depth than what was required under Canadian GAAP and as a result more extensive note references are required. The Company has reviewed and will continue to review the level of presentation and disclosure required as well as review internal controls required for financial reporting.

### ACCOUNTING STANDARDS ISSUED BUT NOT APPLIED

The IASB has issued the following applicable standards, which have not yet been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated interim financial statements or whether to early adopt any of the new requirements. The following is a description of the new standards:

- (i) IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring

equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

- (ii) IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.
- (iii) IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.
- (iv) IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.
- (v) IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. Stripping activity may create two types of benefits: (i) inventory produced and (ii) improved access to ore. Stripping costs associated with the former should be accounted for as a current production cost in accordance with IAS 2, *Inventories*. The latter should be accounted for as an addition to or enhancement of an existing asset.

## RELATED PARTY TRANSACTIONS

Key management includes the Company's directors and officers. Compensation awarded to key management included:

	Three months ended October 31,	
	2011	2010
Salaries, management bonuses and directors fees	\$ 930	\$ 404
Other benefits	13	3
Share-based payments <sup>1</sup>	382	68
	\$ 1,325	\$ 475

<sup>1</sup> The share-based payments are based on the fair value of the stock options granted during the three months ended October 31, 2011 and 2010.

## 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 steady. Di-ammonium phosphate ("DAP") prices FOB Tampa, Florida is one of the benchmarks the industry uses for phosphate pricing. DAP prices as at November 2011 of US\$600 per tonne represent a slight fall from peak DAP prices of US\$660 per tonne in August 2011, but current prices are unchanged as compared to November 2010.

In Brazil the demand for fertilizer is stronger in the second half of the year than the first six (6) months. High crop prices have led to a strong demand for fertilizers. According to IBGE (The Brazilian Institute of Geography and Statistics), the estimate for the national harvest of cereal, legumes and oilseeds is approximately 159.9 Mt for the 2011 calendar year which is 6.9% above the record harvest of 2010 (149.6 Mt). The area harvested in 2011 is 48.7 million hectares which represents an increase of 4.7% over that of 2010.

According to the Brazilian Ministry of Agriculture, Livestock and Food Supply, the Brazilian agribusiness exports reached the record figure of US\$90.3 billion in the last 12 months between October 2010 and September 2011. This represents an increase of 24.8% compared to US\$72.3 billion for the same period last year. Among the major export sectors, soybean products totaled sales of US\$22.2 billion, an increase of 35.6%, sugar and alcohol with exports of US\$15.9 billion (+25.1%) and coffee US\$8.1 billion (+42%).

According to ANDA (National Association of Fertilizer Producers - Brazil), total consumption of fertilizer in Brazil from January to November 2011 was 26.5 Mt which is significantly higher than the 22.8 Mt and 21.0 Mt consumed in the comparative periods in 2010 and 2009, respectively. Total fertilizer consumption for the 2011 calendar year has been estimated by ANDA to reach 27.5 Mt. This would represent an increase of 8.1% over the same period last year and will be the highest amount of fertilizer ever consumed in Brazil. The highest amount of fertilizer previously consumed in Brazil was 24.6 Mt in calendar 2007.

Demand for phosphate is expected to remain strong into calendar 2012. SSP prices in the Company's target region in September 2011 were approximately US\$400-US\$420 per tonne, significantly above the US\$250 price used in the Definitive Feasibility Study released in the fall of 2010.

## RISKS AND UNCERTAINTIES

There were no changes to the Company's exposure to risks and other uncertainties as described in the July 31, 2011 year end "Management's Discussion and Analysis".

## DISCLOSURE CONTROLS AND PROCEDURES

Both the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have assessed the design of the Company's internal controls over financial reporting as at October 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 August 1, 2011 to October 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.

For the three months ended October 31, 2011 there have been no significant changes to the internal control over financial reporting. 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 milestones and timelines for the completion of the Itafós Arraias SSP Project;
- expected capital costs associated with the Itafós Arraias SSP Project;
- the expectation that cash flows from the Itafós Arraias SSP Project will support borrowing under the project financing facilities;
- the Company’s expectation to be able to increase existing resources at Itafós;
- 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 cash sources and use of funds;
- projections of future levels of taxable income;
- the Company’s plans to achieve the first 10,000 metres of drilling at the Santana Project within the next three months;
- the Company can potentially produce Dicalcium Phosphate (“DCP”) in the future;
- expected timeline for completing a pre-feasibility study and bankable feasibility study for the Santana Project;
- the expectation of the sufficiency of capital resources to fund all projected capital expenditures for the Itafós Arraias SSP Project;
- the expectation for strong growth over the next several years and value to shareholders as a result of the Santana Project and Araxá Project; and
- the Company’s belief that the Araxá deposit may be one of the highest-grade REO deposits in the world.

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, resource estimates at the Araxá Project and the PEA findings for the Santana Project; 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.