

**Notice of Annual and  
Special Meeting of Shareholders  
and Management Information Circular**



**DECEMBER 7, 2010**



## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the Annual and Special Meeting of Shareholders (the "Meeting") of MBAC Fertilizer Corp. (the "Company") will be held at The Gallery, TSX Broadcast & Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, on December 7, 2010 at 10:00 a.m. (Toronto time), for the following purposes:

1. To receive and consider the audited annual consolidated financial statements of the Company for the financial year ended July 31, 2010 and the report of the auditors thereon;
2. To elect directors of the Company for the ensuing year;
3. To appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company for the ensuing year;
4. To consider and, if deemed appropriate, to pass a resolution authorizing the issuance of 223,849 options under the stock option plan of the Company (the "Stock Option Plan") to a new director of the Company to acquire an equal number of common shares, all as more particularly described in the management information circular of the Company dated November 2, 2010 (the "Circular");
5. To consider and, if deemed appropriate, to pass a resolution authorizing the issuance of up to 1,000,000 options under the Stock Option Plan to new officers, directors and employees of the Company to acquire an equal number of common shares, all as more particularly described in the Circular;
6. To consider and, if deemed appropriate, to pass a resolution approving amendments to the Stock Option Plan, all as more particularly described in the Circular and Schedule "B" attached thereto; and
7. To transact such other business as may properly come before the Meeting or any adjournment thereof.

This notice is accompanied by the Circular and either a form of proxy for registered shareholders or a voting instruction form for beneficial shareholders. The current financial statements and related MD&A of the Company are also available upon written request to the Company, and can be obtained electronically on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.mbacfert.com](http://www.mbacfert.com).

Shareholders are entitled to vote at the Meeting either through the internet, by telephone, in person or by proxy. If you are unable to attend the Meeting in person, please exercise your right to vote by completing and signing the enclosed form of proxy and returning it by mail or delivery to Computershare Investor Services Inc. – 9th Floor, 100 University Ave, Toronto, Ontario, M5J 2Y1, Fax 1-866-249-7775/416-263-9524 on or before 10:00 a.m. (Toronto time) on December 3, 2010, or no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of any adjourned meeting. The board of directors of the Company has by resolution fixed the close of business on November 2, 2010 as the record date, being the date for the determination of the registered holders of common shares of the Company entitled to receive notice of, and to vote at, the Meeting and any adjournment thereof.

**DATED** at Toronto, Ontario this 2<sup>nd</sup> day of November, 2010.

**By Order of the Board of Directors**

(Signed) Peter Marrone

Peter Marrone

Chairman of the Board of Directors



## **MANAGEMENT INFORMATION CIRCULAR**

### **Solicitation of Proxies**

**This management information circular is furnished in connection with the solicitation of proxies by the management of MBAC Fertilizer Corp. (the “Company”) for use at the annual and special meeting of shareholders (the “Meeting”) of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders.** References in this management information circular to the Meeting include any adjournment or adjournments thereof. It is expected that the solicitation of proxies will be primarily by mail, however, proxies may also be solicited personally by regular employees of the Company and the Company may use the services of an outside proxy solicitation agency to solicit proxies. The cost of soliciting proxies will be borne by the Company.

The board of directors of the Company (the “Board”) has fixed the close of business on November 2, 2010 as the record date, being the date for the determination of the registered holders of common shares (“Common Shares”) in the capital of the Company entitled to receive notice of, and to vote at, the Meeting. Duly completed and executed proxies must be received by mail or fax at the offices of Computershare Investor Services Inc. – 9th Floor, 100 University Ave, Toronto, Ontario, M5J 2Y1, Fax 1-866-249-7775/416-263-9524, which address is also indicated on the enclosed envelope, no later than 10:00 a.m. (Toronto time) on December 3, 2010, or no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of any adjourned meeting. As an alternative to completing and submitting a proxy for use at the Meeting, a shareholder may vote electronically through the internet at [www.investorvote.com](http://www.investorvote.com) or by telephone by contacting Computershare Investor Services Inc. at 1-866-732-8683.

Unless otherwise stated, the information contained in this management information circular is as of November 2, 2010. All dollar amounts referenced herein are expressed in Canadian dollars.

### **Appointment and Revocation of Proxies**

The persons named in the enclosed form of proxy are officers and/or directors of the Company. **A shareholder desiring to appoint some other person, who need not be a shareholder, to represent them at the Meeting, may do so by inserting such person’s name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed and executed proxy at the office of the Company’s transfer agent indicated on the enclosed envelope or by Fax at 1-866-249-7775/416-263-9524, no later than 10:00 a.m. (Toronto time) on December 3, 2010, or no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of any adjourned meeting.**

A shareholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a shareholder will be voted in accordance with the directions, if any, given in the proxy.

A proxy given pursuant to this solicitation may be revoked by an instrument in writing executed by a shareholder or by a shareholder’s attorney authorized in writing (or, if the shareholder is a corporation, by a duly authorized officer or attorney) and deposited either at the registered office of the Company (120 Adelaide Street West, Suite 1900, Toronto, Ontario, M5H 1T1, Attention: Cintia Zanellato) or at the office of the Company’s transfer agent indicated on the enclosed envelope or by Fax at 1-866-249-7775/416-263-9524, at any time up to and including the last business day preceding the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting or in any other manner permitted by law.

### **Exercise of Discretion by Proxies**

The persons named in the enclosed form of proxy will vote the Common Shares in respect of which they are appointed as proxy in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such Common Shares will be voted in favour of the passing of all the resolutions described herein. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Annual and Special Meeting of Shareholders and with respect to other matters which may properly come before the Meeting.** At the time of printing of this management information circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

### **Voting by Non-Registered Shareholders**

Only registered shareholders of the Company or the persons they appoint as their proxies are permitted to vote at the Meeting. Most shareholders of the Company are “non-registered” shareholders (“Non-Registered Shareholders”) because the Common Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Common Shares. Common Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an “Intermediary”) that the Non-Registered Shareholder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies of the Notice of Annual and Special Meeting of Shareholders, this management information circular, a supplemental information card (which includes a place to request copies of the Company’s annual and/or interim financial statements and related MD&A or to waive the receipt of the annual and/or interim financial statements and related MD&A) and a form of voting instruction form (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (i) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (ii) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy.

In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and **deposit it with the Company c/o Computershare Investor Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1 or by Fax at 1-866-249-7775/416-263-9524.**

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder or such other person's name in the blank space provided. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote which is not received by the Intermediary at least seven (7) days prior to the Meeting.

#### **Voting Securities and Principal Holders Thereof**

As of the date hereof, 72,689,336 Common Shares were issued and outstanding. Each Common Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. The record date for the determination of shareholders entitled to receive notice of, and to vote at, the Meeting has been fixed as November 2, 2010. All such holders of record of Common Shares are entitled either to attend and vote at the Meeting in person the Common Shares held by them or, provided a completed and executed proxy shall have been delivered to the Company's transfer agent within the time specified in the attached Notice of Annual and Special Meeting of Shareholders, to attend and vote thereat by proxy the Common Shares held by them.

To the best of the Company's knowledge, based on information provided by the applicable shareholder, as of the date hereof no person beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company carrying more than 10% of the voting rights attached to any class of voting securities of the Company, except as set forth in the table below.

<b>Name of Shareholder</b>	<b>Number of Common Shares Held</b>	<b>Percentage of Common Shares Outstanding</b>
Cyprus River Holdings Ltd. <sup>(1)</sup>	8,203,504	11.3%
Monared Holdings Limited <sup>(1) (2)</sup>	7,952,204	10.9%

(1) The information as to Common Shares beneficially owned, controlled or directed, directly or indirectly, not being within the knowledge of the Company, has been obtained by the Company from the shareholder.

(2) Monared Holdings Limited is a company controlled by Leonardo Marques da Silva, a director of the Company.

#### **Compensation Discussion and Analysis**

##### **Objectives of Compensation Program**

The objectives of the Company's compensation program are to attract, reward, retain and motivate quality employees who will enhance the profitability and growth of the Company. The Company's mineral exploration, development and fertilizer business is competitive with other entities engaged in the same business. The Company believes that it is well positioned to compete in its market segment given the advantageous location of its operations and the experienced management team it has engaged.

## **Overview of the Compensation Philosophy**

The following principles guide the Company's overall compensation philosophy:

- compensation is determined on an individual and collective basis and is aimed at attracting and retaining highly qualified and experienced personnel with a proven track record of performance;
- compensation is set with reference to the market for similar jobs in peer group companies in both Canada and internationally;
- an appropriate portion of total compensation is variable and linked to performance of individual and corporate pre-established goals;
- stock option compensation serves to align the interests of senior management with shareholder return;
- compensation is reviewed by the Compensation Committee to ensure that equity is maintained such that individuals in similar jobs and locations are treated fairly; and
- the Company encourages its employees to continuously maintain and enhance their skills and supports reasonable expenses in order that areas of expertise are maintained.

## **Annual Compensation Review Process**

The Compensation Committee is a committee of the Board with the primary function to assist the Board in fulfilling its oversight responsibilities. The Compensation Committee is currently comprised of three directors: Peter Marrone (Chairman), Gregory Thompson and Alexander Davidson. The Compensation Committee will fulfill this responsibility by:

- reviewing and approving and then recommending to the Board salary, bonus, and other benefits, direct or indirect, and any change-of-control packages of the President and Chief Executive Officer of the Company;
- considering and approving the recommendation(s) of the President and Chief Executive Officer of the Company on the salary, bonus, and other benefits, direct or indirect, and any change-of-control packages of the Named Executive Officers (as defined below);
- reviewing compensation of the Board on at least an annual basis;
- attending to the administration of the Company's compensation plans, including the Stock Option Plan (as defined below), outside directors' compensation plans, and such other compensation plans or structures as are adopted by the Company from time to time;
- researching and identifying trends in employment benefits; and
- establishing and periodically reviewing the Company's policies in the area of management benefits and perquisites based on comparable benefits and perquisites in the mining industry.

The Compensation Committee reviews on an annual basis, and periodically through the year, the cash compensation, stock option, performance and overall compensation package for each executive officer based on the compensation review process. The Compensation Committee makes recommendations to the Board with respect to the base salary, bonus and stock option grants (long-term incentives) and employment agreements for each executive officer.

The following key components will be integrated into ongoing performance reviews: the Company's performance, the department's performance and the individual's performance.

## Elements of Executive Compensation

Compensation of executive officers includes annual compensation in the form of base salary, annual performance-based cash incentives, other annual compensation such as perquisites along with long-term compensation in the form of stock options. The following summarizes why the Company pays each element.

### Short-Term Incentive Plan

<u>Element of Compensation</u>	<u>Summary and Purpose of Element</u>
Base Salary	Salaries form an essential component of the Company's compensation mix as they are the first base measure to compare and remain competitive relative to peer groups. Base salaries are fixed and therefore not subject to uncertainty and are used as the base to determine other elements of compensation and benefits.
Annual Performance-Based Cash Incentives	Annual cash bonuses are a variable component of compensation designed to reward the Company's executive officers for maximizing annual performance.
Other Compensation (Perquisites)	Perquisites such as health and life insurance plans, parking, housing and transportation allowances, signing bonuses, and other usual perquisites may be provided for executives in accordance with local practices in order to ensure that the Company's compensation packages are competitive.

### Long-Term Incentives

<u>Element of Compensation</u>	<u>Summary and Purpose of Element</u>
Stock Options	The granting of stock options is a variable component of compensation intended to reward the Company's executive officers for the Company's success in achieving its business plans, prudent development of its projects and increases in stock value. Stock options are also awarded to focus management on increasing the price of the Common Shares over time rather than focusing on short-term increases. Vesting provisions also ensure that the option holders' interests are aligned with longer term interests of the Company's shareholders. Previous option grants to senior executives of the Company are taken into account by the Compensation Committee and the Board when considering new option grants.

## Base Salary

The base salary of each particular executive officer will be determined based on the Compensation Committee's compensation review process, as discussed above.

The Compensation Committee believes that it is appropriate to establish compensation levels based in large part on benchmarking against comparable companies, both in terms of compensation practices as well as levels of compensation. In this way, the Company can gauge if its compensation is competitive in the marketplace for its talent, as well as ensure that the Company's compensation is reasonable. Accordingly, going forward the Compensation Committee will review the compensation levels for the Named Executive Officers against compensation levels of comparable companies.

In determining the base salary and bonus to be paid to the Chief Executive Officer and the Chief Financial Officer, the Board and the Compensation Committee considered the particular responsibilities related to the position, the experience level of the executive officer and the accomplishments of the executive officer during the financial year ended July 31, 2010. Going forward, in determining the base salaries and bonuses for the Chief Executive Officer and the Chief Financial Officer, the Compensation Committee intends to select an appropriate group of peer companies and review information on executive compensation practices using published survey data from both the mining industry and other industries as appropriate.

## Cash Bonuses

Bonuses are performance-based, short-term financial incentives. Bonuses are determined based on the compensation review process. In the future, as the Company grows and develops its projects, it is expected that an annual incentive award program will be formalized that will clearly articulate performance objectives and link specific, measurable goals with individual measurable performance criteria set for senior executives, including the Named Executive Officers.

In August 2010, the Compensation Committee considered the performance of the Company and the Named Executive Officers in 2010. In recognition of their efforts to complete the reverse take-over transaction (the "RTO") with MBAC Opportunities and Financing Inc., and to deliver a definitive feasibility study relating to construction of the Company's mining project in Brazil, the Compensation Committee recommended and the Board approved the payment to the Named Executive Officers of an aggregate of \$979,587 in cash bonuses for performance during the financial year ended July 31, 2010, as set out in the Summary Compensation Table below. The Compensation Committee was satisfied that the payment of the 2010 cash bonuses was in accordance with the Company's philosophy and guidelines set forth above. The bonus awards were determined based on discussions of the Board and input from the Chief Executive Officer based on individual evaluations prepared at the time.

### **Other Compensation — Perquisites**

During the financial year ended July 31, 2010, none of the Named Executive Officers received any perquisites which, in the aggregate, were greater than \$50,000 or 10% of the respective Named Executive Officer's salary.

### **Long-Term Incentives**

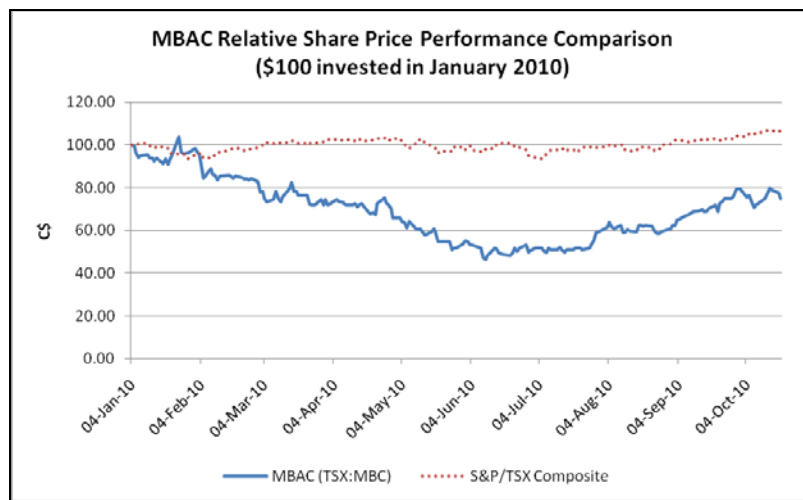
It is the compensation philosophy of the Company to provide a market-based blend of base salaries, bonuses and a long-term equity incentive component in the form of options. The Company believes that the bonus and option components serve to further align the interests of management with the interests of the Company's shareholders.

#### *Stock Options*

On October 1, 2009 and November 27, 2009, in connection with the RTO the Company issued stock options to a number of directors and officers of the Company to acquire an aggregate of 7,156,884 Common Shares. These stock options are exercisable at prices ranging from \$2.40 to \$3.75 and expire five years from the date of grant. See "Incentive Plan Awards" and "Directors Compensation – Incentive Plan Awards" below.

### **Performance Graph**

The following performance graph reflects the performance of the Common Shares against the S&P/TSX Composite Index for the periods indicated based on \$100 invested as at January 4, 2010.



### Summary Compensation Table

The following table provides the information regarding compensation earned by each of the following executive officers of the Company: (a) the President and Chief Executive Officer; (b) the Vice President, Finance and Chief Financial Officer; and (c) the three most highly compensated executive officers other than the officers referred to in (a) and (b) during the financial year ended July 31, 2010 (the "Named Executive Officers" or "NEOs").

<i>Name and Principal Position</i>	<i>Salary</i>	<i>Share-based awards</i>	<i>Option-based awards</i>	<i>Non-equity incentive plan compensation</i>		<i>Pension Value</i>	<i>All other compensation</i>	<i>Total compensation</i>
	(\$)	(\$)	(\$)	Annual incentive plans <sup>(1)</sup>	Long-term incentive plans	(\$)	(\$)	(\$)
Antenor Silva, President and Chief Executive Officer	300,000	Nil	2,936,899	360,000	Nil	Nil	0.00	3,596,899
Anthony Cina, Vice President, Finance, Chief Financial Officer and Treasurer	200,000	Nil	1,224,314	154,395	Nil	Nil	60,300	1,639,009
Carlos Braga, Vice President, Operations	200,000	Nil	1,224,314	162,416	Nil	Nil	60,300	1,647,030
Stephen Burleton, Vice President, Corporate Development	200,000	Nil	1,224,314	156,401	Nil	Nil	60,300	1,641,015
Luiz Bizzi, Vice President, Exploration	166,667	Nil	1,224,314	146,375	Nil	Nil	60,300	1,597,656

(1) Represents annual cash bonuses paid to the Named Executive Officers. The bonus amounts reflected include awards that were paid to ensure compensation was commensurate with performance during the year ended July 31, 2010. See "Compensation Discussion and Analysis".

### Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each Named Executive Officer outstanding as of July 31, 2010.

<i>Name</i>	<i>Number of securities underlying unexercised options</i>	<i>Option-based Awards</i>		<i>Value of unexercised in-the-money options</i>	<i>Share-based Awards</i>	
		<i>Option exercise price</i>	<i>Option expiration date</i>		<i>Number of shares or units of shares that have not vested</i>	<i>Market or payout value of share-based awards that have not vested</i>
	(#)	(\$)		(\$)	(#)	(\$)
Antenor Silva	1,031,970 <sup>(1)</sup>	2.40	October 1, 2014	Nil	N/A	N/A
	421,817 <sup>(1)</sup>	3.00	November 27, 2014	Nil	N/A	N/A
	726,892 <sup>(2)</sup>	3.75	November 27, 2014	Nil	N/A	N/A
Anthony Cina	515,983 <sup>(1)</sup>	2.40	October 1, 2014	Nil	N/A	N/A
	210,908 <sup>(1)</sup>	3.00	November 27, 2014	Nil	N/A	N/A
Carlos Braga	515,983 <sup>(1)</sup>	2.40	October 1, 2014	Nil	N/A	N/A
	210,908 <sup>(1)</sup>	3.00	November 27, 2014	Nil	N/A	N/A
Stephen Burleton	515,983 <sup>(1)</sup>	2.40	October 1, 2014	Nil	N/A	N/A
	221,804 <sup>(1)</sup>	3.00	November 27, 2014	Nil	N/A	N/A
Luiz Bizzi	515,983 <sup>(1)</sup>	2.40	October 1, 2014	Nil	N/A	N/A
	210,908 <sup>(1)</sup>	3.00	November 27, 2014	Nil	N/A	N/A

(1) Two-thirds of these options have vested, and the remainder will vest on April 1, 2011.

(2) All of these options vest on November 27, 2011.

The following table provides information regarding the value vested or earned on incentive plan awards during the financial year ended July 31, 2010.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(1)</sup> (\$)
Antenor Silva	-	N/A	360,000
Anthony Cina	-	N/A	154,395
Carlos Braga	-	N/A	162,416
Stephen Burleton	-	N/A	156,401
Luiz Bizzi	-	N/A	146,375

(1) Represents annual cash bonuses paid to the Named Executive Officers for performance during the year ended July 31, 2010. See "Summary Compensation Table" above.

### **Termination and Change of Control Benefits**

Messrs. Bizzi, Braga, Cina and Burleton each have an employment agreement (collectively, the "**Employment Agreements**") with the Company. Each of the Employment Agreements entered into by such officers contain the same terms and provisions, which are summarized below.

The Employment Agreements are effective for an indefinite period unless terminated in accordance with the terms thereof. The Employment Agreements provide for an annual base salary of \$200,000 (which was increased by the Board to \$220,000 on August 10, 2010). The Employment Agreements contain provisions in respect of each officer's annual base salary, benefits (including health and medical benefits) and entitlement to bonuses. Eligibility for and the amount of any such bonus is determined by the President and Chief Executive Officer, in consultation with the Chairman and each of the members of the Board in their sole and absolute discretion.

The Employment Agreements provide for 18 months' notice of termination without cause. In addition, the Employment Agreements include confidentiality provisions binding on each of Messrs. Bizzi, Braga, Cina and Burleton. In the event of a Change of Control (as defined in the Employment Agreements), all options that have been issued to Messrs. Bizzi, Braga, Cina and Burleton (if any) and which have not already vested shall immediately vest. In addition, the Employment Agreements stipulate that (i) if the employment of Messrs. Bizzi, Braga, Cina or Burleton is terminated within six months following a Change of Control, or (ii) any of Messrs. Bizzi, Braga, Cina or Burleton gives notice of resignation as the result of a Triggering Event (as defined in the Employment Agreements) occurring within six months after a Change of Control, the Company will pay a change of control fee equal to two (2) times the then current annual base salary plus two (2) times the average value of the two most recent discretionary annual cash bonus awards. If a Change of Control occurred on July 31, 2010, giving rise to payment under the Employment Agreements, each of Messrs. Bizzi, Braga, Cina and Burleton would have been entitled to payments of \$626,084, \$724,832, \$708,790 and \$712,802, respectively (including all bonuses awarded for performance during the year ended July 31, 2010).

Mr. Silva also has an employment agreement with the Company (the "**Silva Agreement**"). The Silva Agreement is effective for an indefinite period unless it is terminated in accordance with the terms thereof. The Silva Agreement provides for an annual base salary of \$300,000 (which was increased by the Board to \$330,000 on August 10, 2010), as well as an entitlement to receive discretionary annual bonuses. Eligibility for and the amount of any such bonus shall be determined by the Board.

Mr. Silva may terminate his employment under the Silva Agreement at any time by providing the Company with two months' written notice. The Company may waive this notice period in whole or in part. The Company may terminate Mr. Silva's employment at any time without cause by providing him with 24 months' of notice of termination, or pay in lieu thereof.

In the event of a Change of Control (as defined in the Silva Agreement), all unvested options that have been issued to Mr. Silva will vest immediately. In addition, Mr. Silva will be paid a change of control fee equal to 2.5 times his then current annual base salary and 2.5 times the average value of his most recent discretionary annual cash bonus awards. If a Change of Control occurred on July 31, 2010, giving rise to payment under the Silva Agreement. Mr. Silva would have been entitled to \$1,650,000 (including the bonus awarded to Mr. Silva for his performance during the year ended July 31, 2010).

## Director Compensation

Currently, an annual retainer fee of \$25,000 is paid to non-management directors, other than the Chairman who receives a total annual retainer fee of \$190,000. In addition, the non-management directors are paid \$1,000 per meeting of the Board or committee attended. The Chairman of the Audit Committee and the Chairman of the Compensation Committee each receive an additional annual retainer of \$2,500. The Chairman of the Corporate Governance and Nominating Committee and the Chairman of the Sustainability Committee each receive an additional annual retainer of \$1,500. Directors are also reimbursed for all reasonable travel and other expenses incurred by them in attending Board or committee meetings. No share-based awards were granted to the directors during the financial year ended July 31, 2010.

The following table provides information regarding compensation paid to the directors of the Company during the financial year ended July 31, 2010.

Name <sup>(1)</sup>	Fees earned <sup>(2)</sup>	Share-based awards	Option-based awards	Non-equity incentive plan compensation	All other compensation	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Peter Marrone	134,625	N/A	1,271,616	N/A	Nil	1,406,241
Leonardo Marques da Silva	25,750	N/A	635,808	N/A	Nil	661,558
Alexander Davidson	28,875	N/A	635,808	N/A	Nil	664,683
Gregory Thompson	31,875	N/A	635,808	N/A	Nil	667,683
Denis Arsenaault	29,625	N/A	635,808	N/A	Nil	665,433
David Peterson <sup>(3)</sup>	Nil	N/A	Nil	N/A	Nil	Nil

(1) Does not include disclosure for a director who is also a NEO as this information is disclosed elsewhere in the Circular. See "Summary Compensation Table" and "Incentive Plan Awards" above.

(2) Includes all fees earned, paid or payable in cash for the services of each director including annual retainer fees and meeting fees.

(3) Mr. Peterson was appointed to the Board on September 27, 2010 and was therefore not paid any fees during the financial period ended July 31, 2010. Upon appointment to the Board, Mr. Peterson was granted 66,909 options at an exercise price of \$2.40 per Common Shares, valued at \$67,675 on the date of grant. See "Incentive Plan Awards" below.

## Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each director outstanding as of July 31, 2010.

Name	Option-based Awards <sup>(1)</sup>			
	Number of Securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Peter Marrone	412,787	2.40	October 1, 2014	Nil
	168,729	3.00	November 27, 2014	
Leonardo Marques da Silva	206,395	2.40	October 1, 2014	Nil
	84,363	3.00	November 27, 2014	
Alexander Davidson	206,395	2.40	October 1, 2014	Nil
	84,363	3.00	November 27, 2014	
Gregory Thompson	206,395	2.40	October 1, 2014	Nil
	84,363	3.00	November 27, 2014	
Denis Arsenaault	206,395	2.40	October 1, 2014	Nil
	84,363	3.00	November 27, 2014	
David Peterson <sup>(2)</sup>	N/A	N/A	N/A	N/A

(1) All options granted to directors during the financial year ended July 31, 2010 vested immediately upon grant, and the value earned during the year was nil.

(2) Mr. Peterson was appointed to the Board on September 27, 2010. In connection with his appointment to the Board, Mr. Peterson was granted 66,909 options to acquire an equivalent number of Common Shares at an exercise price of \$2.40 per Common Share, which options vested immediately upon grant and expire on October 1, 2014. Mr. Peterson is to be issued additional options upon receipt of the requisite shareholder approval at the Meeting, all on the terms set forth below under the heading "Approval of Option Grant to New Director".

## **Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides details of compensation plans under which equity securities of the Company were authorized for issuance as of July 31, 2010.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by securityholders	Nil	N/A	7,268,933
Equity compensation plans not approved by securityholders	7,123,550 <sup>(1)</sup>	\$2.69	N/A
Total	7,123,550	\$2.69	7,268,933

- (1) Issued in connection with the RTO in exchange for the outstanding options of MBAC Opportunities and Financing Inc. These options are governed by individual option agreements and not a formal plan. See "Incentive Plan Awards" and "Director Compensation – Incentive Plan Awards" above.

## **Stock Option Plan**

The Company has established a stock option plan (the "Stock Option Plan") designed to provide long-term incentive to eligible participants, comprised of employees, officers, directors and consultants of the Company and its subsidiaries. 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. The Stock Option Plan was adopted by the directors on June 10, 2009 and approved by the shareholders of the Company on July 9, 2009.

Stock options to purchase an aggregate of 66,909 Common Shares, representing less than one percent of the issued and outstanding Common Shares as of November 2, 2010, are currently outstanding under the Stock Option Plan. As of November 2, 2010, options to purchase an aggregate of 7,202,024 Common Shares, representing 9.9% of the issued and outstanding Common Shares, remain available for issuance under the Stock Option Plan. Any options granted under the Stock Option Plan that are cancelled or terminated in accordance with the terms of the Stock Option Plan without having been exercised will again be available for re-granting under the Stock Option Plan.

In connection with the RTO, 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.

Subject to regulatory approval and any applicable shareholder approval, the Board may from time to time amend or revise the terms of the Stock Option Plan or may discontinue the Stock Option Plan at any time provided that the Board obtains the consent of the optionee if the rights of the optionee will be adversely affected by the amendment.

Options granted under the Stock Option Plan cannot have an exercise price that is less than the closing price of the Common Shares on the Toronto Stock Exchange, or such other exchange on which the Common Shares may be listed, on the last trading day immediately preceding the grant date, and are exercisable for a period to be determined by the Board, but not to exceed ten years. The vesting of stock options is at the discretion of the Board. Stock options granted under the Stock Option Plan are not transferable or assignable and terminate: (i) three months following the date of termination of the optionee's employment or engagement with the Company for cause or upon the voluntary resignation prior to normal retirement of the optionee; or (ii) within three months following the date an optionee who is an executive officer ceases to hold such position, other than by reason of death or disability. The Stock Option Plan does not provide for the granting of stock appreciation rights. The number of Common Shares subject to options held by any individual will be determined by the Compensation

Committee, but no optionee can be granted stock options, which, when aggregated with any other stock options or Common Shares allotted to the optionee under the Stock Option Plan, exceeds 5% of the issued and outstanding Common Shares within a one year period. The number of options of the Company issuable to any consultant to the Company within any 12 month period under all share compensation arrangements cannot exceed 2% of the issued and outstanding Common Shares. The number of options issued to employees of the Company or consultants engaged in investor relations activities cannot exceed 2% of the issued and outstanding Common Shares and such options must vest in stages over 12 months.

If required by a regulatory authority or by the Compensation Committee, the Stock Option Plan may be made subject to the approval of a majority of the votes cast at a meeting of the shareholders of the Company or by a majority of votes cast by disinterested shareholders at a meeting of shareholders of the Company. If shareholder approval is required, any options granted under the Stock Options Plan prior to such time will not be exercisable or binding on the Company unless and until such shareholder approval is obtained.

Subject to any required regulatory approvals, the Board may from time to time amend any existing option issued under the Stock Option Plan, or amend the Stock Option Plan or the terms and conditions of any option thereafter to be granted, provided that where such amendment relates to an existing option and it would (a) materially decrease the rights or benefits accruing to an optionee, or (b) materially increase the obligations of an optionee; then, unless otherwise excepted by a provision of the Stock Option Plan, the Board must also obtain the written consent of the optionee to such amendment. If at the time the exercise price of an option is reduced the optionee is an insider of the Company, the insider must not exercise the option at the reduced exercise price until the reduction in exercise price has been approved as required under the Stock Option Plan.

At the Meeting, shareholders will be asked to approve a resolution to amend the Stock Option Plan as described herein and in Schedule "B" attached hereto. See "Approval of Amendments to the Stock Option Plan" below.

### **Audit Committee**

The Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of the Company's external auditors. The committee is also responsible for reviewing the Company's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full board of directors of the Company.

### **Charter of the Audit Committee**

The Charter of the Audit Committee sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointments and reporting to the Company's board of directors. A copy of the Charter of the Audit Committee is attached to the current annual information form of the Company, which is available electronically on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.mbacfert.com](http://www.mbacfert.com).

### **Composition of the Audit Committee**

The Audit Committee is currently comprised of three directors: Denis C. Arsenault (Chairman), Greg Thompson and Alexander Davidson. All members of the Audit Committee are independent and financially literate as required by National Instrument 52-110 — *Audit Committees* ("NI 52-110"). In addition to being independent directors as described above, all members of the Audit Committee must meet an additional "independence" test under NI 52-110 in that their directors' fees are the only compensation they, or their firms, receive from the Company and that they are not affiliated with the Company.

The experience and education of each of the members of the Audit Committee are disclosed in the brief biographies set forth below under "Election of Directors".

### Reliance on Certain Exemptions

The Company is not relying on any exemptions with respect to the composition of its Audit Committee in accordance with NI 52-110.

### Pre-Approval Policies and Procedures

The Charter of the Audit Committee sets out the Company's policy regarding the provision of non-audit services by the Company's external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

### External Auditor Service Fees (By Category)

PricewaterhouseCoopers LLP ("PwC") acted as auditors to the Company during the financial year ended July 31, 2010. The fees billed to the Company by PWC during the year ended July 31, 2010 were as follows:

<u>Audit Fees</u>	<u>Audit Related Fees</u>	<u>Tax Fees</u>	<u>Other Fees</u>
\$275,000	\$82,720	\$71,975	N/A

### Corporate Governance Practices

National Policy 58-201 — *Corporate Governance Guidelines* ("NP 58-201") contains a series of guidelines for effective corporate governance. The guidelines deal with such matters as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance practices.

The Board believes that sound corporate governance practices are essential to the effective, efficient and prudent operation of the Company and to the enhancement of shareholder value. The Board fulfills its mandate directly and through committees at regularly scheduled meetings or as required. Frequency of meetings may be increased and the nature of the agenda items may be changed depending on the state of the Company's affairs and in light of opportunities and risks which the Company faces. The Board is kept informed of the Company's operations at these meetings as well as through reports and discussions with management.

National Instrument 58-101 — Disclosure of Corporate Governance Practices ("NI 58-101") sets out certain corporate governance disclosure required to be made by companies on an annual basis, which is set forth in the following sections.

### Board of Directors

A majority of the directors (five out of seven), including Peter Marrone, Alexander Davidson, Gregory Thompson, Denis Arsenault and David Peterson, are independent within the meaning of NI 58-201. Antenor Silva and Leonardo Marques da Silva are not independent as Antenor Silva is the Chief Executive Officer of the Company and Leonardo Marques da Silva was an executive officer of a subsidiary of the Company within the past three years. The Board meets on a regular basis. The independent directors are encouraged to have open and frank discussions and regularly require that the non-independent directors leave the meeting while such discussions are undertaken. Mr. Marrone, as Chairman, is responsible for chairing all meetings of the Board, providing leadership to the Board, managing the Board, acting as liaisons between the Board and management and representing the Company to external groups.

The following table provides details regarding directorships held by the Company's directors in other public companies. Neither Mr. Silva nor Mr. Thompson are currently directors of any other public companies.

<b>Name of Director</b>	<b>Other Public Company Directorship</b>	<b>Stock Exchange</b>
Peter Marrone	Yamana Gold Inc. (since 2003)	TSX/NYSE/LSE
Antenor Silva	Yamana Gold Inc. (since 2003)	TSX/NYSE/LSE
Denis Arsenault	Alliance Grain Traders Inc. (since 2004) Thompson Creek Metals Company Inc. (since 2005) Rockcliff Resources Inc. (since 2006) Stonegate Agricom Ltd. (since 2008)	TSX TSX/NYSE TSX-V TSX
Alexander Davidson	Yamana Gold Inc. (since 2009) Namakwa Diamonds (since 2007) Capital Drilling (since 2010) Kobex Minerals Inc. (since 2009) Noront Resources (since 2009)	TSX/NYSE/LSE LSE LSE TSX-V TSX-V
David Peterson	Rogers Communication Inc. (since 1991) Industrial-Alliance Insurance and Financial Services Inc. (since 1991) Shoppers Drug Mart Corporation (since 1996) Franco-Nevada Corporation (since 1997) South East Group Limited (since 2008)	TSX/NYSE TSX TSX TSX Hong Kong

The table below provides a summary of the number of Board and committee meetings held during the year ended July 31, 2010.

Board	7
Audit Committee	2
Corporate Governance and Nominating Committee	1
Compensation Committee	2
Sustainability Committee	0

The table below provides details regarding the attendance record of each director for all Board and committee meetings held during the year ended July 31, 2010.

<b>Director</b>	<b>Attended/ Number of Meetings Held Board</b>	<b>Attended/ Number of Meetings Held Board Committees</b>	
Peter Marrone	7/ 7 (100%)	Compensation Committee Audit Committee <sup>(2)</sup>	2/2 (100%) 0/2 (0%)
Leonardo Marques da Silva	7/ 7 (100%)	Sustainability Committee <sup>(3)</sup>	N/A
Alexander Davidson	7/ 7 (100%)	Audit Committee <sup>(4)</sup> Compensation Committee Sustainability Committee <sup>(3)</sup>	N/A 2/2 (100%) N/A
Gregory Thompson	7/ 7 (100%)	Audit Committee Compensation Committee Governance and Nominating Committee Corporate	2/2 (100%) 2/2 (100%) 1/1 (100%)
Denis Arsenault	6/7 (86%)	Audit Committee Corporate Governance and Nominating Committee	2/2 (100%) 1/1 (100%)
David Peterson <sup>(1)</sup>	N/A	N/A	

(1) Appointed as a director following the July 31, 2010 year end on September 27, 2010.

(2) Ceased to be a member of the Audit Committee on June 8, 2010.

(3) The Sustainability Committee has not yet met.

(4) Since becoming a member of the Audit Committee on June 8, 2010.

## Board Mandate

The Board is responsible for the general supervision of the management of the business as well as for the oversight and review of the strategic planning process of the Company. The Board will discharge its responsibilities directly and through its committees, currently consisting of the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Sustainability Committee. The Board meets regularly to review the business operations, corporate governance and financial results of the Company. A copy of the Charter of the Board is attached as Schedule "A" hereto and is also available electronically on the Company's website at [www.mbacfert.com](http://www.mbacfert.com).

## **Position Descriptions**

Written position descriptions have been developed by the Board for the Chairman of the Board and the Chairman of each committee of the Board. The Board, together with the Chief Executive Officer, has also developed a written role statement for each of the Chief Executive Officer and Chief Financial Officer.

## **Orientation and Continuing Education**

The Company does not have any formal orientation process for new directors. The Company is considering what requirements will be appropriate on a going-forward basis. The Company will arrange site visits to its projects for all directors when appropriate.

## **Ethical Business Conduct**

The Board has adopted a Code of Business Conduct and Ethics (the "Code") for its directors, officers and employees. The Board has responsibility for monitoring compliance with the Code by ensuring all directors, officers and employees receive and become thoroughly familiar with the Code and acknowledge their support and understanding of the Code. Any non-compliance with the Code is to be reported to the Company's Chief Executive Officer or other appropriate person. A copy of the Code may be accessed electronically on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.mbacfert.com](http://www.mbacfert.com).

The Code is intended to document the principles of conduct and ethics to be followed by the Company and its directors, officers and employees. Its purpose is to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest. All directors, officers and employees are also required to adhere to the Company's other policies which may be adopted relating to disclosure or insider trading. The President and Chief Executive Officer is responsible for monitoring compliance with the Code.

## **Nomination of Directors**

The Corporate Governance and Nominating Committee is currently comprised entirely of independent directors, being Gregory Thompson (Chairman) and Denis Arsenault, and is responsible for recruiting new directors, proposing new director nominees to the Board and reviewing the performance and qualifications of existing directors. The current Board was chosen for their technical and financial expertise to ensure a high level of corporate governance. The existing directors have the knowledge and contacts necessary to search out additional directors. The Board believes that the Board comprised of seven directors is the appropriate size for the Company at this time and believes that all required areas of expertise are covered by the current directors. However, as required, the independent directors will be encouraged to propose potential directors for consideration by the full Board to ensure independent directors are considered for nomination.

## **Compensation Committee**

The Company's Compensation Committee is currently comprised entirely of independent directors, being Peter Marrone (Chairman), Gregory Thompson and Alexander Davidson, and is responsible for, among other things, making recommendations regarding appropriate compensation for the Company's directors and executive officers.

## **Sustainability Committee**

The Company's Sustainability Committee is currently comprised of Alexander Davidson (Chairman) and Leonardo Marques da Silva and is responsible for, among other things, assisting the Board with establishing objectives relating to exploration, development, operations and mining of the Company's properties and monitoring and assessing the Company's performance against such objectives.

## **Board Assessments**

The Board is responsible for reviewing, on an annual basis, the requisite skills and characteristics of prospective members of the Board as well as the composition of the Board as a whole. This assessment is expected to be carried out in the current financial year and will include a member's contribution, qualification as independent, as well as consideration of diversity, age, skills and experience in the context of the needs of the Board.

## **Indebtedness of Directors and Executive Officers**

None of the Company's directors, executive officers or employees, or former directors, executive officers or employees, nor any associate of such individuals, is as at the date hereof, or has been, during the financial year ended July 31, 2010, indebted to the Company or any of its subsidiaries in connection with a purchase of securities or otherwise. In addition, no indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding of the Company or any of its subsidiaries.

## **Interest of Certain Persons in Matters to be Acted Upon**

No (a) director or executive officer of the Company who has held such position at any time since August 1, 2009; (b) proposed nominee for election as a director of the Company; or (c) associate or affiliate of a person in (a) or (b), has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than Mr. Peterson who has an interest in the approval of the issuance of the Director Options (as defined below). See "Approval of Option Grant to New Director and New Executive Officer."

## **Interest of Informed Persons in Material Transactions**

Other than as described below, since August 1, 2009, no informed person of the Company, nominee for election as a director of the Company, or any associate or affiliate of an informed person or nominee, has or had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries.

## **Election of Directors**

The Company's Articles of Continuance and the *Canada Business Corporations Act* provide that the Board consists of a minimum of three and a maximum of ten directors. The Board currently consists of seven (7) directors. At the Meeting, the seven persons named below will be proposed for election as directors of the Company (the "Nominees"). **Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote FOR the election of the Nominees whose names are set forth below.** Management does not contemplate that any of the Nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority will be exercised by the persons named in the accompanying proxy to vote the proxy for the election of any other person or persons in place of any Nominee or Nominees unable to serve. Each director elected will hold office until the close of the first annual meeting of shareholders of the Company following his election or until his successor is duly elected or appointed unless his office is earlier vacated in accordance with the by-laws of the Company.

The following table sets forth the name, province and country of residence, principal occupation, date they first became a director of the Company and number of Common Shares beneficially owned by each Nominee. The statement as to the Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the Nominees is in each instance based upon information furnished by the Nominee concerned and is as at October 20, 2010.

Name, Province and Country of Residence	Principal Occupation	Date First Became a Director of the Company	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly
Peter Marrone <sup>(2)</sup> Ontario, Canada	Chairman and Chief Executive Officer of Yamana Gold Inc.	December 24, 2009	7,119,087
Antenor F. Silva, Jr. Rio de Janeiro, Brazil	President and Chief Executive Officer of the Company	December 24, 2009	2,736,554
Leonardo Marques da Silva <sup>(3)</sup> Goias, Brazil	Businessman	December 24, 2009	7,952,204 <sup>(5)</sup>
Alexander Davidson <sup>(1)(2)(3)</sup> Ontario, Canada	Corporate Director	December 24, 2009	41,666
Gregory Thompson <sup>(1)(2)(4)</sup> Ontario, Canada	President and Chief Executive Officer of Wellington West Capital Markets Inc.	December 24, 2009	25,000
Denis C. Arsenault <sup>(1)(4)</sup> Ontario, Canada	Public Company Director	December 24, 2009	10,416
David Peterson Ontario, Canada	Senior partner and Chairman of the law firm Cassels Brock & Blackwell LLP	September 27, 2010	20,000

(1) Member of the Audit Committee. Denis C. Arsenault is the Chairman of the Audit Committee.

(2) Member of the Compensation Committee. Peter Marrone is the Chairman of the Compensation Committee.

(3) Member of the Sustainability Committee. Alexander Davidson is the Chairman of the Sustainability Committee.

(4) Member of the Corporate Governance and Nominating Committee. Gregory Thompson is the Chairman of the Corporate Governance and Nominating Committee.

(5) See "Voting Securities and Principal Holders Thereof."

The principal occupations, businesses or employments of each of the Nominees within the past five years are disclosed in the brief biographies set forth below.

## Biographies

**Peter Marrone – Chairman.** Mr. Marrone founded Yamana Gold Inc. as President and Chief Executive Officer of Yamana in July 2003. Mr. Marrone was appointed Chairman of the Board in December 2009. Mr. Marrone has more than 25 years of business and capital markets experience and has been on the boards of a number of public companies and advised companies with a strong South American presence. Mr. Marrone holds a Bachelor of Laws degree. Prior to Yamana, Mr. Marrone was the head of investment banking at a major Canadian investment bank and before that, practiced law in Toronto with significant international experience.

**Antenor F. Silva – Director, President and Chief Executive Officer.** Mr. Silva was appointed as Director, President and Chief Executive Officer of MBAC in December 2009. Mr. Silva retired from a very successful six year career at Yamana in Fall 2009, where he was President and Chief Operating Officer. Mr. Silva has more than 40 years of experience in the mining and chemical industries, having worked in various roles including executive management, operations, research and development, engineering and construction. He is known as one of the pioneers in research and development for metallurgy and engineering for mining projects in Brazil. Mr. Silva also helped to develop an innovative metallurgical process that permitted the concentration of lower grade phosphate rock into a high grade concentrate. This process has led to the highly profitable development and growth of phosphate fertilizer production in Brazil. Mr. Silva holds a B.Sc. in Mining Engineering from Universidade de Sao Paulo.

**Leonardo Marques da Silva, B.Sc – Director.** Mr. da Silva has extensive experience in agriculture, fertilizers, sales and distribution. Mr. da Silva acquired and was responsible for the exploration and development of the Itafós mine now owned by the Company from 2003 until 2008, following which he became a director of a subsidiary of the Company as part of the acquisition of Itafós by the Company. Prior to joining Itafós, he was a partner and director of a medium-sized soft drink manufacturer with five plants in central and north-eastern Brazil. Prior to that, Mr. da Silva was a partner and Chief Executive Officer of a sand and stone producer for civil construction with headquarter in Brasilia DF.

**Alexander Davidson – Director.** Mr. Davidson has been a member of the Board of Directors of MBAC since December 2009. Mr. Davidson has also served as a director of Yamana since August 2009. Mr. Davidson previously served as Executive Vice President, Exploration and Corporate Development of Barrick Gold Corporation with responsibility for Barrick's international exploration programs and

corporate development activities. Mr. Davidson joined Barrick in October 1993 as Vice President, Exploration with responsibility for the Company's expanding exploration program. He initiated Barrick's expansion out of North America and into Latin America and beyond. Prior to joining Barrick, Mr. Davidson was Vice President, Exploration for Metall Mining Corporation. Mr. Davidson has over 25 years of experience in designing, implementing and managing gold and base metal exploration and acquisition programs throughout the world. In April 2005, Mr. Davidson was presented the 2005 A.O. Dufresne Award by the Canadian Institute of Mining, Metallurgy and Petroleum to recognize exceptional achievement and distinguished contributions to mining exploration in Canada. In 2003, Mr. Davidson was named the Prospector of the Year by the Prospectors and Developers Association of Canada in recognition for his team's discovery of the Lagunas Norte Project in the Alto Chicama District, Peru. He received his B.Sc. and his M.Sc. in Economic Geology from McGill University.

**Gregory Thompson – Director.** Mr. Thompson is the President and Chief Executive Officer of Wellington West Capital Markets Inc. Mr. Thompson obtained an MBA at Concordia University in Montréal in 1985, and subsequently became a research analyst at Prudential Bache Securities in the late 1980's through 1992. Mr. Thompson also worked as a research analyst at Midland Walwyn for seven years, covering airlines, industrial products, agricultural related stocks, and special situations. In 1998, Mr. Thompson joined Morgan Stanley where he worked as a research analyst covering life insurance and financial services stocks, as well as managing the technology investment research team and the financial services research team in New York. After four years with Morgan Stanley, Mr. Thompson returned to Canada and co-founded Wellington West Capital Markets Inc.

**Denis C. Arsenault, C.A. — Director.** Mr. Arsenault was recently appointed Chief Financial Officer of Sulliden Gold Corporation. He was the Chief Financial Officer of Central Sun Mining Inc. until mid-2009. From 2001 to 2006, he was VP, Finance and Chief Financial Officer of Orbus Pharma Inc. Mr. Arsenault is a Chartered Accountant with more than 27 years of business and public company experience. He has held a variety of senior financial positions and is currently a director of several public and private companies where he chairs the Audit Committee of most of these companies. Mr. Arsenault holds a Bachelor of Commerce from the University of Toronto.

**Hon. David R. Peterson, P.C., Q.C., O. Ont., C. St. J., L. d'H. – Director.** Mr. Peterson was appointed as a director of the Company on September 27, 2010. Mr. Peterson has a long standing history of public service and directorship of private, charitable, educational and environmental organizations. In 1975, Mr. Peterson was elected as a Member of the Ontario Legislature becoming the leader of the Ontario Liberal Party in 1982 and served as Premier of the Province of Ontario between 1985 and 1990. Mr. Peterson is currently a senior partner and Chairman of the Toronto law firm of Cassels Brock & Blackwell LLP, where he practices corporate/commercial law. Within the energy sector, Mr. Peterson is Chairman of the Board of Transmission Developers Inc. He is a director of a number of public and private companies including Rogers Communications Inc., Franco-Nevada Corporation and Shoppers Drug Mart and was the Founding Chairman of the Toronto Raptors Basketball Club Inc. and Chapters Inc. Mr. Peterson holds a Bachelor of Arts Degree from the University of Western Ontario and a Bachelor of Law Degree from the University of Toronto and studied at the University of Caen, France. He was called to the Bar in Ontario in 1969 and appointed a Queen's Counsel in 1980 and was summoned by Her Majesty to the Privy Council in 1992. He was awarded the Order of Ontario in 2009.

### **Cease Trade Orders, Bankruptcies, Penalties and Sanctions**

No proposed director of the Company is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Company) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director of the Company is, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that

capacity, or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director of the Corporation has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **Appointment of Auditors**

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote FOR the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company until the close of the next annual meeting of shareholders. PricewaterhouseCoopers LLP, Chartered Accountants, were first appointed as auditors of the Company on December 24, 2009 in connection with the RTO.

### **Approval of Option Grant to New Director**

Shareholders will be asked at the Meeting to approve the resolution set out below (the "Director Options Grant Resolution") authorizing the issuance of an aggregate of 223,849 Common Shares, representing approximately 0.3% of the Company's issued and outstanding Common Shares as at the date hereof, upon the exercise of an aggregate of 223,849 options (the "Director Options") issued to David R. Peterson, a new director of the Company, and former Premier of the Province of Ontario, Canada, who now serves on the boards of a number of senior public companies including Rogers Communications Inc., Franco-Nevada Corporation and Shoppers Drug Mart, along with the board of governors of the University of Toronto. The Director Options will be granted under the Stock Option Plan. The Director Options will vest immediately upon receipt of the requisite shareholder approval set out below (the "Effective Date"), with 139,486 Director Options having an exercise price of \$2.40 per Common Share and expiring October 1, 2014 and 84,363 Director Options having an exercise price of \$3.00 per Common Share and expiring November 27, 2014. The terms of the Director Options are substantially the same as the terms of the options granted to the existing directors of the Company in respect of the RTO.

In connection with the RTO, 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, issue options to purchase more than 66,909 Common Shares under the Stock Option Plan. See "Stock Option Plan" and "Director Compensation – Incentive Plan Awards." Therefore, in order to be effective, the Director Options Grant Resolution must be approved by disinterested shareholders holding at least 66 2/3 of the Common Shares represented at the Meeting in person or by proxy. For the purposes of the Meeting, each of the directors and senior officers of the Company and its subsidiaries and their respective associates are not considered "disinterested shareholders" and therefore their votes will not be counted in respect of the disinterested shareholder vote on the Option Grant Resolution.

The text of the Director Options Grant Resolution is set out below:

#### **"BE IT RESOLVED THAT:**

- (a) MBAC Fertilizer Corp. be and it is hereby authorized to issue an aggregate of up to 223,849 options under the stock option plan of MBAC Fertilizer Corp. to acquire an equal number of common shares substantially on the terms described in the management information circular of MBAC Fertilizer Corp. dated November 2, 2010 under the heading "Approval of Option Grant to New Director"; and

- (b) any director or officer of MBAC Fertilizer Corp. is hereby authorized to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable in connection with such amendments, the execution of any such document or the doing of any such other act or thing by any director or officer of MBAC Fertilizer Corp. being conclusive evidence of such determination.”

**Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the Director Option Grant Resolution.**

#### **Approval of Option Grants to New Officers, Directors and Employees**

Shareholders will be asked at the Meeting to approve the resolution set out below (the “General Options Grant Resolution”) authorizing the issuance of an aggregate of up to 1,000,000 Common Shares, representing approximately 1.4% of the Company’s issued and outstanding Common Shares as at the date hereof, upon the exercise of up to 1,000,000 options (the “Future Options”) that may be issued by the Company in the future to new officers, new directors and/or new employees of the Company pursuant to the terms of the Stock Option Plan.

In connection with the RTO, 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, issue options to purchase more than 66,909 Common Shares under the Stock Option Plan. See “Stock Option Plan” and “Director Compensation – Incentive Plan Awards”. Therefore, in order to be effective, the General Options Grant Resolution must be approved by disinterested shareholders holding at least 66 2/3 of the Common Shares represented at the Meeting in person or by proxy. For the purposes of the Meeting, each of the directors and senior officers of the Company and its subsidiaries and their respective associates are not considered “disinterested shareholders” and therefore their votes will not be counted in respect of the disinterested shareholder vote on the General Options Grant Resolution.

The text of the General Options Grant Resolution is set out below:

#### **“BE IT RESOLVED THAT:**

- (a) MBAC Fertilizer Corp. be and it is hereby authorized to issue an aggregate of up to 1,000,000 options under the stock option plan of MBAC Fertilizer Corp. to acquire an equal number of common shares substantially on the terms described in the management information circular of MBAC Fertilizer Corp. dated November 2, 2010 under the heading “Approval of Option Grants to New Officers, Directors and Employees”; and
- (b) any director or officer of MBAC Fertilizer Corp. is hereby authorized to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable in connection with such amendments, the execution of any such document or the doing of any such other act or thing by any director or officer of MBAC Fertilizer Corp. being conclusive evidence of such determination.”

**Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the General Options Grant Resolution.**

#### **Approval of Amendments to the Stock Option Plan**

On December 30, 2009, the Company graduated from the TSX Venture Exchange to the Toronto Stock Exchange (“TSX”) in connection with the RTO. As a result, the Company proposes to make certain amendments to its Stock Option Plan to bring it in line with the requirements of the TSX and to make other amendments deemed appropriate for an issuer listed on a senior stock exchange.

On June 6, 2006, the TSX published a Staff Notice with respect to amending procedures in security based compensation arrangements and the extension of option expiry dates which fall within or soon after a blackout period. The TSX requires that any security based compensation plan, such as the Stock Option Plan, with an amendment procedure must contain specific details as to whether shareholder approval is required for a particular type of amendment.

The nature of the Company's business gives rise to a number of periods each year during which directors, officers and employees are precluded from trading in the Company's securities in accordance with the Company's insider trading policy. These periods are referred to as "blackout periods". In accordance with the TSX Staff Notice, the Company has determined that it would be preferable to provide for an automatic extension of an option term that would otherwise have expired during, or within two days of, a Company-imposed blackout period. In such circumstances, the end of the term of such option would be the tenth business day after the end of the blackout period.

Shareholders will be asked to approve the resolution set out below (the "Stock Option Plan Amending Resolution") authorizing the Company to make the amendments to the Stock Option Plan as reflected in Schedule "B" attached hereto.

The Board recommends that shareholders vote FOR the approval of the Stock Option Plan Amending Resolution. The Board considers the amendments to the Stock Option Plan to be appropriate and in the best interests of the Company.

In connection with the RTO, 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, amend any material terms of the Stock Option Plan. Therefore, in order to be effective, the Stock Option Plan Amending Resolution must be approved by (i) a majority of the shareholders present at the Meeting in person or by proxy; and (ii) disinterested shareholders holding at least 66 2/3 of the Common Shares represented at the Meeting in person or by proxy. For the purposes of the Meeting, each of the directors and senior officers of the Company and its subsidiaries and their respective associates are not considered "disinterested shareholders" and therefore their votes will not be counted in respect of the disinterested shareholder vote on the resolution amending the Stock Option Plan.

**"BE IT RESOLVED THAT:**

- (a) the amendments to the stock option plan of MBAC Fertilizer Corp. as described in the management information circular of MBAC Fertilizer Corp. dated November 2, 2010, be and they are hereby authorized and approved and the amended stock option plan of MBAC Fertilizer Corp. is hereby authorized to be adopted as the stock option plan of MBAC Fertilizer Corp.; and
- (b) any director or officer of MBAC Fertilizer Corp. is hereby authorized to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable in connection with such amendments, the execution of any such document or the doing of any such other act or thing by any director or officer of MBAC Fertilizer Corp. being conclusive evidence of such determination."

**Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the Stock Option Plan Amending Resolution.**

**Additional Information**

Additional information relating to the Company, including the Company's audited consolidated financial statements and related management's discussion and analysis for the financial year ended July 31, 2010, can be obtained electronically on the Company's website at [www.mbacfert.com](http://www.mbacfert.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may also contact the Corporate Secretary of the Company by phone at (416) 367-2200 or by e-mail at [czanellato@mbacfert.com](mailto:czanellato@mbacfert.com) to request copies of these documents.

**Directors' Approval**

The contents of this management information circular and the sending thereof to the shareholders of the Company have been approved by the Board.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) Peter Marrone \_\_\_\_\_  
Peter Marrone  
Chairman of the Board of Directors

Toronto, Ontario  
November 2, 2010

**Schedule "A"**

**MBAC FERTILIZER CORP.  
CHARTER OF THE  
BOARD OF DIRECTORS  
DATED AS OF AUGUST 1, 2010**

**1. GENERAL**

- 1.1 The Board of Directors (the "Board") of MBAC Fertilizer Corp. (the "Company") is responsible for the stewardship and the general supervision of the management of the business of the Company and for acting in the best interests of the Company and its shareholders. The Board will discharge its responsibilities directly and through its committees, currently consisting of the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Sustainability Committee. In addition, the Board may from time to time, appoint such additional committees as it deems necessary and appropriate in order to discharge its duties. Each committee shall have its own charter. The Board shall meet regularly, but not less than once each quarter, to review the business operations, corporate governance and financial results of the Company. Meetings of the Board will also include regular meetings (not less than once annually) of the independent members of the Board without management being present.
- 1.2 Directors are expected to attend all meetings of the Board and the committees upon which they serve, to come to such meetings fully prepared (including full review of all documentation sent prior to the meeting), and to remain in attendance for the duration of the meeting. Where a director's absence from a meeting is unavoidable, the director should, as soon as practicable after the meeting, contact the Chairman, the Chief Executive Officer or the Corporate Secretary for a briefing on the substantive elements of the meeting.

**2. COMPOSITION**

- 2.1 The Board shall be constituted at all times of a majority of "independent directors" within the meaning of National Policy 58-201 - *Corporate Governance Guidelines*. Pursuant to Canadian corporate governance guidelines, in order to be considered "independent", directors shall have no direct or indirect material relationship with the Company.

**3. RESPONSIBILITIES**

- 3.1 The Board's mandate is the stewardship of the Company and its responsibilities include, without limitation to its general mandate, the following specific responsibilities:
- 3.2 The assignment to the various committees of directors the general responsibility for developing the Company's approach to: (i) corporate governance and nomination of directors; (ii) financial reporting and internal controls; and (iii) compensation of officers and senior employees.
- 3.3 With the assistance of the Corporate Governance and Nominating Committee:
- (a) Reviewing the composition of the Board and ensuring it respects its independence criteria.
  - (b) Satisfying itself as to the integrity of the Chief Executive Officer and other senior officers of the Company and that such officers create a culture of integrity throughout the organization.
  - (c) The assessment, at least annually, of the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including, consideration of the appropriate size of the Board.

- (d) Ensuring that an appropriate review selection process for new nominees to the Board is in place.
  - (e) Ensuring that an appropriate orientation and education program for new members of the Board is in place.
  - (f) Approving and revising from time to time, as circumstances warrant, a corporate disclosure and communications policy to address communications with shareholders, employees, financial analysts, governments and regulatory authorities, the media and communities in which the business of the Company is conducted.
- 3.4 With the assistance of the Audit Committee:
- (a) Ensuring the integrity of the Company's internal controls and management information systems.
  - (b) Ensuring the Company's ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Company's own governing documents.
  - (c) Identifying the principal risks of the Company's business and ensuring that appropriate systems are in place to manage these risks.
  - (d) Reviewing and approving significant operational and financial matters and the provision of direction to management on these matters.
  - (e) As required and agreed upon, providing assistance to shareholders concerning the integrity of the Company's reported financial performance.
- 3.5 With the assistance of the Compensation Committee and the Chairman and President and Chief Executive Officer, the approval of the compensation of the senior management team.
- 3.6 Succession planning including the selection, training, appointment, monitoring evaluation and, if necessary, the replacement of the senior management to ensure management succession.
- 3.7 The adoption of a strategic planning process, approval at least annually of a strategic plan that takes into account business opportunities and business risks identified by the Board and/or the Audit Committee and monitoring performance against such plans.
- 3.8 The review and approval of corporate objectives and goals applicable to the Company's senior management.
- 3.9 Enhancing congruence between shareholder expectations, Company plans and management performance.
- 3.10 Reviewing with senior management material transactions outside the ordinary course of business and such other major corporate matters which require Board approval including the payment of dividends, the issue, purchase and redemption of securities, acquisitions and dispositions of material assets and material capital expenditures and approving such decisions as they arise.
- 3.11 Performing such other functions as prescribed by law or assigned to the Board in the Company's constating documents and by-laws.
- 3.12 Establishing objectives relating to exploration, development, operations and mining of the Company's properties, including determining the budgets required, the allocation of resources, the steps to be implemented and the timing for reaching such steps.
- 3.13 Monitoring matters relating to exploration, development, operations and mining and assessing the performance of the Company against its objectives.

- 3.14 Developing a corporate culture of environmental responsibilities and awareness as to the importance of health and safety.

With the assistance of the Vice President, Corporate Development of the Company or such other officer who is from time to time responsible for maintaining the Company's website under the Timely Disclosure, Confidentiality and Insider Trading Policy, establish measures for receiving feedback from, and communication with, the Company's investors and securityholders.

Schedule "B"

PROPOSED AMENDMENTS TO  
THE STOCK OPTION PLAN  
OPTION-NFA INC.  
MBAC FERTILIZER CORP.

STOCK OPTION PLAN

Effective Date: June 10, 2009

Approved \_\_\_\_\_ by \_\_\_\_\_ the \_\_\_\_\_ Board  
of Directors on June 10, 2009.

Approved \_\_\_\_\_ by \_\_\_\_\_ the  
Shareholders on July 9, 2009.

Amendment Date: December 7, 2010

## TABLE OF CONTENTS

	<u>Page</u>
<b>SECTION 1 DEFINITIONS AND INTERPRETATION</b> .....	<b>4</b>
1.1..... Definitions	4
1.2..... Choice of Law	7
1.3..... Headings	7
<b>SECTION 2 GRANT OF OPTIONS</b> .....	<b>7</b>
2.1..... Grant of Options	7
2.2..... Record of Option Grants	<del>8</del> 7
2.3..... Effect of Plan	8
<b>SECTION 3 PURPOSE AND PARTICIPATION</b> .....	<b>8</b>
3.1..... Purpose of Plan	8
3.2..... Participation in Plan	8
3.3..... Limits on Option Grants	8
3.4..... Notification of Grant	<del>9</del> 8
3.5..... Copy of Plan	9
3.6..... Limitation on Service	9
3.7..... No Obligation to Exercise	9
3.8..... Agreement	9
3.9..... Notice	9
3.10..... Representation to TSX-VN	<del>10</del> 9
<b>SECTION 4 NUMBER OF SHARES UNDER PLAN</b> .....	<b><del>10</del>9</b>
4.1..... Board to Approve Issuance of Shares	<del>10</del> 9
4.2..... Number of Shares	10
4.3..... Fractional Shares	10
<b>SECTION 5 TERMS AND CONDITIONS OF OPTIONS</b> .....	<b>10</b>
5.1..... Exercise Period of Option	10
5.2..... Number of Shares Under Option	10
5.3..... Exercise Price of Option	10
5.4..... Termination of Option	11
5.5..... Vesting of Option and Acceleration	<del>12</del> 11
5.6..... Additional Terms	12
<b>SECTION 6 TRANSFERABILITY OF OPTIONS</b> .....	<b>12</b>
6.1..... Non-transferable	12
6.2..... Death of Option Holder	12
6.3..... Disability of Option Holder	12
6.4..... Disability and Death of Option Holder	12
6.5..... <del>6-6</del> Vesting	<del>13</del> 12
6.6..... Deemed Non-Interruption of Engagement	<del>13</del> 12
<b>SECTION 7 EXERCISE OF OPTION</b> .....	<b>13</b>
7.1..... Exercise of Option	13
7.2..... Issue of Share Certificates	13
7.3..... No Rights as Shareholder	13
<b>SECTION 8 ADMINISTRATION</b> .....	<b>13</b>
8.1..... Board or Committee	13
8.2..... Appointment of Committee	<del>14</del> 13
8.3..... Quorum and Voting	<del>14</del> 13
8.4..... Powers of Committee	14
8.5..... Administration by Committee	<del>15</del> 14
8.6..... Interpretation	<del>15</del> 14
<b>SECTION 9 APPROVALS AND AMENDMENT</b> .....	<b>15</b>
9.1..... Shareholder Approval of Plan	15
9.2..... Amendment of Option or Plan	15
<b>SECTION 10 CONDITIONS PRECEDENT TO ISSUANCE OF OPTIONS AND SHARES</b> .....	<b><del>16</del>16</b>
10.1..... Compliance with Laws	<del>16</del> 16
10.2..... Obligation to Obtain Regulatory Approvals	16
10.3..... Inability to Obtain Regulatory Approvals	16
<b>SECTION 11 ADJUSTMENTS AND TERMINATION</b> .....	<b>16</b>
11.1..... Termination of Plan	16
11.2..... No Grant During Suspension of Plan	<del>17</del> 16
11.3..... Alteration in Capital Structure	<del>17</del> 16
11.4..... Triggering Events	17
11.5..... Notice of Termination by Triggering Event	17
11.6..... Determinations to be Made By Committee	<del>17</del> 18

## STOCK OPTION PLAN

### ARTICLE 1 DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

As used herein, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set forth below:

- (a) "Administrator" means such Executive or Employee of the Company as may be designated as Administrator by the Committee from time to time, if any.
- (b) "Associate" means, where used to indicate a relationship with any person:
  - (i) any relative, including the spouse of that person or a relative of that person's spouse, where the relative has the same home as the person;
  - (ii) any partner, other than a limited partner, of that person;
  - (iii) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity; and
  - (iv) any corporation of which such person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the corporation.
- (c) "Black-Out" means a restriction imposed by the Company on all or any of its directors, officers, employees, insiders or persons in a special relationship whereby they are to refrain from trading in the Company's securities until the restriction has been lifted by the Company or has expired under the policies of the Company.
- (d) "Board" means the board of directors of the Company.
- (e) "Change of Control" means an occurrence when either:
  - (i) a Person or Entity, other than the current "control person" of the Company (as that term is defined in the *Securities Act*), becomes a "control person" of the Company; or
  - (ii) a majority of the directors elected at any annual or extraordinary general meeting of shareholders of the Company are not individuals nominated by the Company's then-incumbent Board.
- (f) "Committee" means a committee of the Board appointed in accordance with this Plan or if no such committee is appointed, the Board itself.
- (g) "Company" means ~~Option-NFA Inc~~ MBAC Fertilizer Corp.
- (h) "Consultant" means an individual who:
  - (i) is engaged to provide, on an ongoing *bona fide* basis, consulting, technical, management or other services to the Company or any Subsidiary other than services provided in relation to a "distribution" (as that term is described in the *Securities Act*);
  - (ii) provides the services under a written contract between the Company or any Subsidiary and the individual or a Consultant Entity (as defined in clause (h)(v) below);

- (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any Subsidiary; and
  - (iv) has a relationship with the Company or any Subsidiary that enables the individual to be knowledgeable about the business and affairs of the Company or is otherwise permitted by applicable Regulatory Rules to be granted Options as a Consultant or as an equivalent thereof,
- and includes:
- (v) a corporation of which the individual is an employee or shareholder or a partnership of which the individual is an employee or partner (a "Consultant Entity"); or
  - (vi) an RRSP or ~~RRIF~~ RRIF established by or for the individual under which he or she is the beneficiary.
- (i) "Disability" means a medically determinate physical or mental impairment expected to result in death or to last for a continuous period of not less than 12 months, and which causes an individual to be unable to engage in any substantial gainful activity, or any other condition of impairment that the Committee, acting reasonably, determines constitutes a disability.
  - (j) "Employee" means:
    - (i) an individual who works full-time or part-time for the Company or any Subsidiary and such other individual as may, from time to time, be permitted by applicable Regulatory Rules to be granted Options as an employee or as an equivalent thereto; or
    - (ii) an individual who works for the Company or any Subsidiary either full-time or on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company or any Subsidiary over the details and methods of work as an employee of the Company or any Subsidiary, but for whom income tax deductions are not made at source,and includes:
    - (iii) a corporation wholly-owned by such individual; and
    - (iv) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
  - (k) "Executive" means an individual who is a director or officer of the Company or a Subsidiary, and includes:
    - (i) a corporation wholly-owned by such individual; and
    - (ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
  - (l) "Exercise Notice" means the written notice of the exercise of an Option, in the form set out as Schedule "B" hereto, duly executed by the Option Holder.
  - (m) "Exercise Period" means the period during which a particular Option may be exercised and is the period from and including the Grant Date through to and including the Expiry Time on the Expiry Date provided, however, that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.

- (n) "Exercise Price" means the price at which an Option is exercisable as determined in accordance with section 5.3.
- (o) "Expiry Date" means the date the Option expires as set out in the Option Certificate or as otherwise determined in accordance with sections 5.4, 6.2, 6.3, ~~6.4~~ 6.4, 7.1 or 11.4.
- (p) "Expiry Time" means the time the Option expires on the Expiry Date, which is 5:00 p.m. local time in ~~Vancouver, British Columbia~~ Toronto, Ontario on the Expiry Date.
- (q) "Grant Date" means the date on which the Committee grants a particular Option, which is the date the Option comes into effect provided however that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (r) "Insider" means an insider as that term is defined in the *Securities Act*,
- (s) "Market Value" means the market value of the Shares as determined in accordance with section 5.3.
- (t) "Option" means an incentive share purchase option granted pursuant to this Plan entitling the Option Holder to purchase Shares of the Company.
- (u) "Option Certificate" means the certificate, in substantially the form set out as Schedule "A" hereto, evidencing the Option.
- (v) "Option Holder" means a Person or Entity who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.
- (w) "Outstanding Issue" means the number of Shares that are outstanding (on a non-diluted basis) immediately prior to the Share issuance or grant of Option in question.
- (x) "Person or Entity" means an individual, natural person, corporation, government or political subdivision or agency of a government, and where two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such partnership, limited partnership, syndicate or group shall be deemed to be a Person or Entity.
- (y) "Personal Representative" means:
  - (i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and
  - (ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder.
- (z) "Plan" means this stock option plan as from time to time amended.
- (aa) "Regulatory Approvals" means any necessary approvals of the Regulatory Authorities as may be required from time to time for the implementation, operation or amendment of this Plan or for the Options granted from time to time hereunder.
- (bb) "Regulatory Authorities" means all organized trading facilities on which the Shares are listed, and all securities commissions or similar securities regulatory bodies having jurisdiction over the Company, this Plan or the Options granted from time to time hereunder.
- (cc) "Regulatory Rules" means all corporate and securities laws, regulations, rules, policies, notices, instruments and other orders of any kind whatsoever which may, from time to time, apply to the

implementation, operation or amendment of this Plan or the Options granted from time to time hereunder including, without limitation, those of the applicable Regulatory Authorities.

- (dd) "*Securities Act*" means the *Securities Act* (~~British Columbia~~), ~~RSBC 1996, c.418~~Ontario), as from time to time amended.
- (ee) "Share" or "Shares" means, as the case may be, one or more common shares without par value in the capital stock of the Company.
- (ff) "Subsidiary" ~~means a wholly-owned or controlled subsidiary corporation of the Company~~has the meaning ascribed thereto in the *Securities Act*.
- (gg) "Triggering Event" means:
  - (i) the proposed dissolution, liquidation or wind-up of the Company;
  - (ii) a proposed merger, amalgamation, arrangement or reorganization of the Company with one or more corporations as a result of which, immediately following such event, the shareholders of the Company as a group, as they were immediately prior to such event, are expected to hold less than a majority of the outstanding capital stock of the surviving corporation;
  - (iii) the proposed acquisition of all or substantially all of the issued and outstanding shares of the Company by one or more Persons or Entities;
  - (iv) a proposed Change of Control of the Company;
  - (v) the proposed sale or other disposition of all or substantially all of the assets of the Company; or
  - (vi) a proposed material alteration of the capital structure of the Company which, in the opinion of the Committee, is of such a nature that it is not practical or feasible to make adjustments to this Plan or to the Options granted hereunder to permit the Plan and Options granted hereunder to stay in effect.
- (hh) "~~TSX-VN~~" means ~~the TSX Venture~~Toronto Stock Exchange Inc.
- (ii) "Vest" or "Vesting" means that a portion of the Option granted to the Option Holder which is available to be exercised by the Option Holder at any time and from time to time.

## 1.2 Choice of Law

The Plan is established under, and the provisions of the Plan shall be subject to and interpreted and construed in accordance with, the laws of the Province of ~~British Columbia~~Ontario. The Company and each Option Holder hereby attorn to the jurisdiction of the Courts of ~~British Columbia~~Ontario.

## 1.3 Headings

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

**ARTICLE 2  
GRANT OF OPTIONS**

2.1 Grant of Options

The Committee shall, from time to time in its sole discretion, grant Options to such Persons or Entities and on such terms and conditions as are permitted under this Plan.

2.2 Record of Option Grants

The Committee shall be responsible to maintain a record of all Options granted under this Plan and such record shall contain, in respect of each Option:

- (a) the name and address of the Option Holder;
- (b) the category (Executive, Employee or Consultant) under which the Option was granted to him, her or it;
- (c) the Grant Date and Expiry Date of the Option;
- (d) the number of Shares which may be acquired on the exercise of the Option and the Exercise Price of the Option;
- (e) the vesting and other additional terms, if any, attached to the Option; and
- (f) the particulars of each and every time the Option is exercised.

2.3 Effect of Plan

All Options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan notwithstanding the fact that the Option Certificates issued in respect thereof do not expressly contain such terms and conditions but instead incorporate them by reference to the Plan. The Option Certificates will be issued for convenience only and in the case of a dispute with regard to any matter in respect thereof, the provisions of the Plan and the records of the Company shall prevail over the terms and conditions in the Option Certificate, save and except as noted below. Each Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate for such Option. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, such terms and conditions will supersede the provisions of the Plan.

**ARTICLE 3  
PURPOSE AND PARTICIPATION**

3.1 Purpose of Plan

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants, to incent such individuals to contribute toward the long term goals of the Company, and to encourage such individuals to acquire Shares of the Company as long term investments.

3.2 Participation in Plan

The Committee shall, from time to time and in its sole discretion, determine those Executives, Employees and Consultants, if any, to whom Options are to be granted.

### 3.3 Limits on Option Grants

If the Company is listed on TSX-VN, the following limitations shall apply to the Plan and all Options thereunder so long as such limitations are required by the TSX-VN:

- (a) the maximum number of Options which may be granted to any one Option Holder under the Plan within any 12 month period shall be 5% of the Outstanding Issue (unless the Company has obtained disinterested shareholder approval as required by the TSX-VN);
- (b) with respect to section 5.1, the Expiry Date of an Option shall be no later than the tenth anniversary of the Grant Date of such Option;
- (c) the maximum number of Options which may be granted to any one Consultant within any 12 month period must not exceed 2% of the Outstanding Issue; and
- (d) the maximum number of Options which may be granted within any 12 month period to Employees or Consultants engaged in investor relations activities must not exceed 2% of the Outstanding Issue and such options must vest in stages over 12 months with no more than 25% of the Options vesting in any three month period, and such limitation will not be an amendment to this Plan requiring the Option Holders consent under section 9.2 of this Plan,

The following limits apply to Option grants:

(a) the aggregate number of Shares reserved for issuance pursuant to Options granted to Insiders shall not exceed 10% of the total number of Shares then outstanding;

(b) the aggregate number of Shares issued to Insiders pursuant to the exercise of Options, within a one-year period, shall not exceed 10% of the total number of Shares then outstanding;

(c) the aggregate number of Shares issued to any one Insider and such Insider's Associates pursuant to the exercise of Options, within a one-year period, shall not exceed 5% of the total number of Shares then outstanding;

(d) the aggregate number of Shares reserved for issuance to any one person pursuant to the grant of Options shall not exceed 5% of the total number of Shares then outstanding; and

(e) options granted to non-executive directors of the Company shall not exceed 1% of the Shares then outstanding; provided further that the maximum value of Options which may be granted to each non-executive director shall not exceed \$100,000 in any fiscal year. The value of the Options to be granted shall be determined using the Black-Scholes method of option valuation.

For purposes of this Section 3.3, the number of Shares then outstanding shall mean the number of Shares outstanding on a non-diluted basis immediately prior to the proposed grant of the applicable Option or the exercise of the applicable Option.

### 3.4 Notification of Grant

Following the granting of an Option, the Administrator shall, within a reasonable period of time, notify the Option Holder in writing of the grant and shall enclose with such notice the Option Certificate representing the Option so granted. In no case will the Company be required to deliver an Option Certificate to an Option Holder until such time as the Company has obtained all necessary Regulatory Approvals for the grant of the Option.

3.5 Copy of Plan

Each Option Holder, concurrently with the notice of the grant of the Option, shall be provided with a copy of the Plan, ~~and~~ A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder.

3.6 Limitation on Service

The Plan does not give any Option Holder that is an Executive the right to serve or continue to serve as an Executive of the Company or any Subsidiary, nor does it give any Option Holder that is an Employee or Consultant the right to be or to continue to be employed or engaged by the Company or any Subsidiary.

3.7 No Obligation to Exercise

Option Holders shall be under no obligation to exercise Options granted under this Plan.

3.8 Agreement

The Company and every Option Holder granted an Option hereunder shall be bound by and subject to the terms and conditions of this Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Company to be bound by the terms and conditions of this Plan. In the event that the Option Holder receives his, her or its Options pursuant to an oral or written agreement with the Company or a Subsidiary, whether such agreement is an employment agreement, consulting agreement or any other kind of agreement of any kind whatsoever, the Option Holder acknowledges that in the event of any inconsistency between the terms relating to the grant of such Options in that agreement and the terms attaching to the Options as provided for in this Plan, the terms provided for in this Plan shall prevail and the other agreement shall be deemed to have been amended accordingly.

3.9 Notice

Any notice, delivery or other correspondence of any kind whatsoever to be provided by the Company to an Option Holder will be deemed to have been provided if provided to the last home address, fax number or email address of the Option Holder in the records of the Company and the Company shall be under no obligation to confirm receipt or delivery.

3.10 Representation to TSX-~~VN~~

As a condition precedent to the issuance of an Option, the Company must be able to represent to TSX-~~VN~~ as of the Grant Date that the Option Holder is a bona fide Executive, Employee or Consultant of the Company or any Subsidiary.

**ARTICLE 4  
NUMBER OF SHARES UNDER PLAN**

4.1 Board to Approve Issuance of Shares

The Board shall approve by resolution the issuance of all Shares to be issued to Option Holders upon the exercise of Options, such authorization to be deemed effective as of the Grant Date of such Options regardless of when it is actually done. The Board shall be entitled to approve the issuance of Shares in advance of the Grant Date, retroactively after the Grant Date, or by a general approval of this Plan.

4.2 Number of Shares

Subject to adjustment as provided for herein, the number of Shares which will be available for purchase pursuant to Options granted pursuant to this Plan will not exceed 10% of the number of Shares which are issued and outstanding on the particular Grant Date. If any Option expires or otherwise terminates for

any reason without having been exercised in full, the number of Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Plan.

#### 4.3 Fractional Shares

No fractional shares shall be issued upon the exercise of any Option and, if as a result of any adjustment, an Option Holder would become entitled to a fractional share, such Option Holder shall have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made for the fractional interest.

### ARTICLE 5 TERMS AND CONDITIONS OF OPTIONS

#### 5.1 Exercise Period of Option

Subject to sections 5.4, 6.2, 6.3, ~~6.4~~, 7.1 and 11.4, the Grant Date and the Expiry Date of an Option shall be the dates fixed by the Committee at the time the Option is granted and shall be set out in the Option Certificate issued in respect of such Option.

#### 5.2 Number of Shares Under Option

The number of Shares which may be purchased pursuant to an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option.

#### 5.3 Exercise Price of Option

The Exercise Price at which an Option Holder may purchase a Share upon the exercise of an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. The Exercise Price shall not be less than the Market Value of the Shares as of the Grant Date. The Market Value of the Shares for a particular Grant Date shall be determined as follows:

- (a) for each organized trading facility on which the Shares are listed, Market Value will be the closing trading price of the Shares on the day immediately preceding the Grant Date, ~~and may be less than this price if it is within the discounts permitted by the applicable Regulatory Authorities.~~ If there was no trading on that date, the exercise price shall not be less than the weighted average of the bid and ask prices on the five consecutive trading days immediately preceding the date of grant;
- (b) if the Company's Shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraph (a) above for the primary organized trading facility on which the Shares are listed, as determined by the Committee, subject to any adjustments as may be required to secure all necessary Regulatory Approvals;
- (c) if the Company's Shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the Grant Date, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee; and
- (d) if the Company's Shares are not listed on any organized trading facility, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee to be the fair value of the Shares, taking into consideration all factors that the Committee deems appropriate, including, without limitation, recent sale and offer prices of the Shares in private transactions negotiated at arms' length.

Notwithstanding anything else contained herein, in no case will the Market Value be less than the minimum prescribed by each of the organized trading facilities that would apply to the Company on the Grant Date in question.

#### 5.4 Termination of Option

Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of the Expiry Time on the Expiry Date. The Expiry Date of an Option shall be the earlier of the date so fixed by the Committee at the time the Option is granted as set out in the Option Certificate and the date established, if applicable, in paragraphs (a) or (b) below or sections 6.2, 6.3, 6.4, 7.1 or 11.4 of this Plan:

(a) *Ceasing to Hold Office* - In the event that the Option Holder holds his or her Option as an Executive and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 90th day following the date the Option Holder ceases to hold such position unless the Option Holder ceases to hold such position as a result of:

- (i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Company;
- (ii) a special resolution having been passed by the shareholders of the Company removing the Option Holder as a director of the Company or any Subsidiary; or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order;

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position;  
or

(b) *Ceasing to be Employed or Engaged* - In the event that the Option Holder holds his or her Option as an Employee or Consultant and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 90th day following the date the Option Holder ceases to hold such position, unless the Option Holder ceases to hold such position as a result of:

- (i) termination for cause;
- (ii) resigning his or her position; or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order;

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position.

In the event that the Option Holder ceases to hold the position of Executive, Employee or Consultant for which the Option was originally granted, but comes to hold a different position as an Executive, Employee or Consultant prior to the expiry of the Option, the Committee may, in its sole discretion, choose to permit the Option to stay in place for that Option Holder with such Option then to be treated as being held by that Option Holder in his or her new position and such will not be considered to be an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan. Notwithstanding anything else contained herein, in no case will an Option be exercisable later than the Expiry Date of the Option.

#### 5.5 Vesting of Option and Acceleration

The vesting schedule for an Option, if any, shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. The Committee may elect, at any time, to accelerate the vesting schedule of one or more Options including, without limitation, on a Triggering Event, and such acceleration will not be considered an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan.

#### 5.6 Additional Terms

Subject to all applicable Regulatory Rules and all necessary Regulatory Approvals, the Committee may attach additional terms and conditions to the grant of a particular Option, such terms and conditions to be set out in a schedule attached to the Option Certificate. The Option Certificates will be issued for convenience only, and in the case of a dispute with regard to any matter in respect thereof, the provisions of this Plan and the records of the Company shall prevail over the terms and conditions in the Option Certificate, save and except as noted below. Each Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate for such Option. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, such terms and conditions will supersede the provisions of the Plan.

### **ARTICLE 6 TRANSFERABILITY OF OPTIONS**

#### 6.1 Non-transferable

Except as provided otherwise in this Section 6, Options are non-assignable and non-transferable.

#### 6.2 Death of Option Holder

In the event of the Option Holder's death, any Options held by such Option Holder shall pass to the Personal Representative of the Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the date of death and the applicable Expiry Date.

#### 6.3 Disability of Option Holder

If the employment or engagement of an Option Holder as an Employee or Consultant or the position of an Option Holder as a director or officer of the Company or a Subsidiary is terminated by the Company by reason of such Option Holder's Disability, any Options held by such Option Holder shall be exercisable by such Option Holder or by the Personal Representative on or before the date which is the earlier of one year following the termination of employment, engagement or appointment as a director or officer and the applicable Expiry Date.

#### 6.4 Disability and Death of Option Holder

If an Option Holder has ceased to be employed, engaged or appointed as a director or officer of the Company or a Subsidiary by reason of such Option Holder's Disability and such Option Holder dies within one year after the termination of such engagement, any Options held by such Option Holder that could have been exercised immediately prior to his or her death shall pass to the Personal Representative of such Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the death of such Option Holder and the applicable Expiry Date.

#### 6.5 Vesting

Unless the Committee determines otherwise, Options held by or exercisable by a Personal Representative shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.

## 6.6 Deemed Non-Interruption of Engagement

Employment or engagement by the Company shall be deemed to continue intact during any military or sick leave or other *bona fide* leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Option Holder's right to re-employment or re-engagement by the Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Option Holder's re-employment or re-engagement is not so guaranteed, then his or her employment or engagement shall be deemed to have terminated on the ninety-first day of such leave,

## ARTICLE 7 EXERCISE OF OPTION

### 7.1 Exercise of Option

An Option may be exercised only by the Option Holder or the Personal Representative of any Option Holder. An Option Holder or the Personal Representative of any Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period up to the Expiry Time on the Expiry Date by delivering to the Administrator the required Exercise Notice, the applicable Option Certificate and a certified cheque or bank draft payable to the Company in an amount equal to the aggregate Exercise Price of the Shares then being purchased pursuant to the exercise of the Option. ~~Notwithstanding anything else contained herein, Options may not be exercised during Black-Out unless the Committee determines otherwise. In the event that any Option expires during, or within 48 hours after, a Black-Out period, such expiry date will become the tenth day following the end of the Black-Out period.~~

### 7.2 Issue of Share Certificates

As soon as reasonably practicable following the receipt of the Exercise Notice, the Administrator shall cause to be delivered to the Option Holder a certificate for the Shares so purchased. If the number of Shares so purchased is less than the number of Shares subject to the Option Certificate surrendered, the Administrator shall also provide a new Option Certificate for the balance of Shares available under the Option to the Option Holder concurrent with delivery of the Share Certificate.

### 7.3 No Rights as Shareholder

Until the date of the issuance of the certificate for the Shares purchased pursuant to the exercise of an Option, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option, unless the Committee determines otherwise. In the event of any dispute over the date of the issuance of the certificates, the decision of the Committee shall be final, conclusive and binding.

## ARTICLE 8 ADMINISTRATION

### 8.1 Board or Committee

The Plan shall be administered by the Board, by a Committee of the Board appointed in accordance with section 8.2 below, or by an Administrator appointed in accordance with subsection 8.4(b).

### 8.2 Appointment of Committee

The Board may at any time appoint a Committee, consisting of not less than two of its members, to administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and appoint new members in their place, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

### 8.3 Quorum and Voting

A majority of the members of the Committee shall constitute a quorum and, subject to the limitations in this Section 8, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. Members of the Committee may vote on any matters affecting the administration of the Plan or the grant of Options pursuant to the Plan, except that no such member shall act upon the granting of an Option to himself or herself (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee during which action is taken with respect to the granting of Options to that member). The Committee may approve matters by written resolution signed by a majority of the quorum.

### 8.4 Powers of Committee

The Committee (or the Board if no Committee is in place) shall have the authority to do the following:

- (a) administer the Plan in accordance with its terms;
- (b) appoint or replace the Administrator from time to time;
- (c) determine all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the Market Value of the Shares;
- (d) correct any defect, supply any information or reconcile any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan;
- (e) prescribe, amend, and rescind rules and regulations relating to the administration of the Plan;
- (f) determine the duration and purposes of leaves of absence from employment or engagement by the Company which may be granted to Option Holders without constituting a termination of employment or engagement for purposes of the Plan;
- (g) do the following with respect to the granting of Options:
  - (i) determine the Executives, Employees or Consultants to whom Options shall be granted, based on the eligibility criteria set out in this Plan;
  - (ii) determine the terms of the Option to be granted to an Option Holder including, without limitation, the Grant Date, Expiry Date, Exercise Price and vesting schedule (which need not be identical with the terms of any other Option);
  - (iii) subject to any necessary Regulatory Approvals and section 9.2, amend the terms of any Options;
  - (iv) determine when Options shall be granted; and
  - (v) determine the number of Shares subject to each Option;
- (h) accelerate the vesting schedule of any Option previously granted; and
- (i) make all other determinations necessary or advisable, in its sole discretion, for the administration of the Plan.

8.5 Administration by Committee

All determinations made by the Committee in good faith shall be final, conclusive and binding upon all persons. The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan.

8.6 Interpretation

The interpretation by the Committee of any of the provisions of the Plan and any determination by it pursuant thereto shall be final, conclusive and binding and shall not be subject to dispute by any Option Holder. No member of the Committee or any person acting pursuant to authority delegated by it hereunder shall be personally liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Committee and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

**ARTICLE 9  
APPROVALS AND AMENDMENT**

9.1 Shareholder Approval of Plan

If required by a Regulatory Authority or by the Committee, this Plan may be made subject to the approval of a majority of the votes cast at a meeting of the shareholders of the Company or by a majority of votes cast by disinterested shareholders at a meeting of shareholders of the Company. If required by Regulatory Rules or by a Regulatory Authority, in the event that shareholder approval is required, any Options granted under this Plan prior to such time will not be exercisable or binding on the Company unless and until such shareholder approval is obtained,

9.2 Amendment of Option or Plan

**Amendment and Termination**

~~Subject to any required Regulatory Approvals, the Committee may from time to time amend any existing Option or the Plan or the terms and conditions of any Option thereafter to be granted provided that where such amendment relates to an existing Option and it would:~~

- ~~(a) materially decrease the rights or benefits accruing to an Option Holder; or~~
- ~~(b) materially increase the obligations of an Option Holder; then, unless otherwise excepted out by a provision of this Plan, the Committee must also obtain the written consent of the Option Holder in question to such amendment. If at the time the Exercise Price of an Option is reduced the Option Holder is an Insider of the Company, the Insider must not exercise the option at the reduced Exercise Price until the reduction in Exercise Price has been approved by the disinterested shareholders of the Company, if required by the TSX-VN; the requisite shareholder and regulatory approvals set forth under subparagraphs 9.2(a) and (b) below, the Committee may from time to time amend or revise the terms of this Plan or may discontinue this Plan at any time provided however that no such right may, without the consent of the Option Holder, in any manner adversely affect his rights under any Option theretofore granted under this Plan.~~

(a) The Committee may, subject to receipt of requisite shareholder and regulatory approval, make the following amendments to this Plan:

- (i) any amendment to the number of securities issuable under this Plan, including an increase in the percentage of the maximum number of securities or a change from a fixed maximum percentage to a fixed maximum number of securities. A change to a fixed maximum number which was previously approved by shareholders will not require additional shareholder approval;
- (ii) any change to the definition of the eligible participants which would have the potential of broadening or increasing insider participation;

- (iii) the addition of any form of financial assistance;
  - (iv) any addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from this Plan reserve;
  - (v) the addition of a deferred or restricted share unit or any other provision which results in participants receiving securities from treasury while no cash consideration is received by the Company;
  - (vi) any reduction in the exercise price of Options granted under this Plan; and
  - (vii) any other amendments that may lead to significant or unreasonable dilution in the Company's outstanding securities or may provide additional benefits to eligible participants, especially insiders of the Company, at the expense of the Company and its existing shareholders.
- (b) The Committee may, subject to receipt of requisite regulatory approval, where required, in its sole discretion make all other amendments to this Plan that are not of the type contemplated in subsection 9.2(a) above including without limitation:
- (i) a change to the vesting provisions of a security or this Plan;
  - (ii) a change to the termination provisions of a security granted under this Plan which does not entail an extension beyond the original expiry date; and
  - (iii) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.
- (c) Notwithstanding the provisions of subsection 9.2(b), the Company shall additionally obtain requisite shareholder approval in respect of amendments to this Plan that are contemplated pursuant to subsection 9.2(b), to the extent such approval is required by any Regulatory Rules.

## **ARTICLE 10 CONDITIONS PRECEDENT TO ISSUANCE OF OPTIONS AND SHARES**

### **10.1 Compliance with Laws**

An Option shall not be granted or exercised, and Shares shall not be issued pursuant to the exercise of any Option, unless the grant and exercise of such Option and the issuance and delivery of such Shares comply with all applicable Regulatory Rules, and such Options and Shares will be subject to all applicable trading restrictions in effect pursuant to such Regulatory Rules and the Company shall be entitled to legend the Option Certificates and the certificates representing such Shares accordingly.

### **10.2 Obligation to Obtain Regulatory Approvals**

In administering this Plan, the Committee will seek any Regulatory Approvals which may be required. The Committee will not permit any Options to be granted without first obtaining the necessary Regulatory Approvals unless such Options are granted conditional upon such Regulatory Approvals being obtained. The Committee will make all filings required with the Regulatory Authorities in respect of the Plan and each grant of Options hereunder. No Option granted will be exercisable or binding on the Company unless and until all necessary Regulatory Approvals have been obtained. The Committee shall be entitled to amend this Plan and the Options granted hereunder in order to secure any necessary

Regulatory Approvals and such amendments will not require the consent of the Option Holders under section 9.2 of this Plan.

### 10.3 Inability to Obtain Regulatory Approvals

The Company's inability to obtain Regulatory Approval from any applicable Regulatory Authority, which Regulatory Approval is deemed by the Committee to be necessary to complete the grant of Options hereunder, the exercise of those Options or the lawful issuance and sale of any Shares pursuant to such Options, shall relieve the Company of any liability with respect to the failure to complete such transaction.

## ARTICLE 11 ADJUSTMENTS AND TERMINATION

### 11.1 Termination of Plan

Subject to any necessary Regulatory Approvals, the Committee may terminate or suspend the Plan. ~~Unless earlier terminated as provided in this Section 11, the Plan shall terminate on, and no more Options shall be granted under the Plan after, the tenth anniversary of the Effective Date of the Plan.~~

### 11.2 No Grant During Suspension of Plan

No Option may be granted during any suspension, or after termination, of the Plan. Suspension or termination of the Plan shall not, without the consent of the Option Holder, alter or impair any rights or obligations under any Option previously granted.

### 11.3 Alteration in Capital Structure

If there is a material alteration in the capital structure of the Company and the Shares are consolidated, subdivided, converted, exchanged, reclassified or in any way substituted for, the Committee shall make such adjustments to this Plan and to the Options then outstanding under this Plan as the Committee determines to be appropriate and equitable under the circumstances, so that the proportionate interest of each Option Holder shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustments may include, without limitation:

- (a) a change in the number or kind of shares of the Company covered by such Options; and
- (b) a change in the Exercise Price payable per Share provided, however, that the aggregate Exercise Price applicable to the unexercised portion of existing Options shall not be altered, it being intended that any adjustments made with respect to such Options shall apply only to the Exercise Price per Share and the number of Shares subject thereto.

For purposes of this section 11.3, and without limitation, neither:

- (c) the issuance of additional securities of the Company in exchange for adequate consideration (including services); nor
- (d) the conversion of outstanding securities of the Company into Shares shall be deemed to be material alterations of the capital structure of the Company.

Any adjustment made to any Options pursuant to this section 11.3 shall not be considered an amendment requiring the Option Holder's consent for the purposes of Section 9.2 of this Plan.

#### 11.4 Triggering Events

Subject to the Company complying with section 11.5 and any necessary Regulatory Approvals and notwithstanding any other provisions of this Plan or any Option Certificate, the Committee may, without the consent of the Option Holder or Holders in question:

- (a) cause all or a portion of any of the Options granted under the Plan to terminate upon the occurrence of a Triggering Event; or
- (b) cause all or a portion of any of the Options granted under the Plan to be exchanged for incentive stock options of another corporation upon the occurrence of a Triggering Event in such ratio and at such exercise price as the Committee deems appropriate, acting reasonably.

Such termination or exchange shall not be considered an amendment requiring the Option Holder's consent for the purpose of section 9.2 of the Plan.

#### 11.5 Notice of Termination by Triggering Event

In the event that the Committee wishes to cause all or a portion of any of the Options granted under this Plan to terminate on the occurrence of a Triggering Event, it must give written notice to the Option Holders in question not less than 10 days prior to the consummation of a Triggering Event so as to permit the Option Holder the opportunity to exercise the vested portion of the Options prior to such termination. Upon the giving of such notice and subject to any necessary Regulatory Approvals, all Options or portions thereof granted under the Plan which the Company proposes to terminate shall become immediately exercisable notwithstanding any contingent vesting provision to which such Options may have otherwise been subject.

#### 11.6 Determinations to be Made By Committee

Adjustments and determinations under this Section 11 shall be made by the Committee, whose decisions as to what adjustments or determination shall be made, and the extent thereof, shall be final, binding, and conclusive.

## SCHEDULE "A"

~~[Include the following Exchange hold period only if the exercise price of the stock options is based on less than Market Price.]~~

~~[Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until ● [date four months and one day after Grant Date].]~~

~~OPTION-NFA INC.~~

~~MBAC Fertilizer Corp.~~

### STOCK OPTION PLAN - OPTION CERTIFICATE

This Option Certificate is issued pursuant to the provisions of the Stock Option Plan (the "Plan") of ~~Option-NFA Inc~~MBAC Fertilizer Corp. (the "Company") and evidences that ● [Name of Option Holder] is the holder (the "Option Holder") of an option (the "Option") to purchase up to ● common shares (the "Shares") in the capital stock of the Company at a purchase price of Cdn.\$● per Share (the "Exercise Price"). This Option may be exercised at any time and from time to time from and including the following Grant Date through to and including up to 5:00 p.m. local time in ~~Vancouver, British Columbia~~Toronto, Ontario (the "Expiry Time") on the following Expiry Date:

- (a) the Grant Date of this Option is ●,200●; and
- (b) subject to sections 5.4, 6.2, 6.3, ~~6.4~~6.4, 7.1 and 11.4 of the Plan, the Expiry Date of this Option is ●,200●.

To exercise this Option, the Option Holder must deliver to the Administrator of the Plan, prior to the Expiry Time on the Expiry Date, an Exercise Notice, in the form provided in Schedule "B" to the Plan, which is incorporated by reference herein, together with the original of this Option Certificate and a certified cheque or bank draft payable to the Company in an amount equal to the aggregate of the Exercise Price of the Shares in respect of which this Option is being exercised.

This Option Certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan. This Option Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Company shall prevail. This Option is also subject to the terms and conditions contained in the schedules, if any, attached hereto.

~~[Include the following Exchange hold period only if the exercise price of the stock options is based on less than Market Price.]~~

~~[Any share certificates issued pursuant to an exercise of the Option before ● [date four months and one day after Grant Date] will contain the following legend:~~

~~"Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until ● [date four months and one day after Grant Date]."~~

If the Option Holder is a resident or citizen of the United States of America at the time of the exercise of the Option, the certificate(s) representing the Shares will be endorsed with the following or a similar legend:

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, of the United States of America (the "Act") or the securities laws of any state ("State") of the United States of America and may not be

sold, transferred, pledged, hypothecated or distributed, directly or indirectly, to a U.S. person (as defined in Regulation S adopted by the U.S. Securities and Exchange Commission under the Act) or within the United States unless such securities are (i) registered under the Act and any applicable State securities act (a "State Act"), or (ii) exempt from registration under the Act and any applicable State Act and the Company has received an opinion of counsel to such effect reasonably satisfactory to it, or (iii) sold in accordance with Regulation S and the Company has received an opinion of counsel to such effect reasonably satisfactory to it."

This Option was granted to the Option Holder in his or her capacity as a ● [pick one: **Director, Officer, Employee, Consultant**] of the Company, and shall continue in effect should his or her status change and he or she continue in a new capacity as a Director, Officer, Employee or Consultant of the Company.

**OPTION-NFA INC.**  
**MBAC Fertilizer Corp.**

Per: \_\_\_\_\_  
Director

The Option Holder acknowledges receipt of a copy of the Plan and represents to the Company that the Option Holder is familiar with the terms and conditions of the Plan, and hereby accepts this Option subject to all of the terms and conditions of the Plan. The Option Holder agrees to execute, deliver, file and otherwise assist the Company in filing any report, undertaking or document with respect to the awarding of the Option and exercise of the Option, as may be required by the Regulatory Authorities. The Option Holder further acknowledges that if the Plan has not been approved by the shareholders of the Company on the Grant Date, this Option is not exercisable until such approval has been obtained.

Signature of Option Holder:

Date signed: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Address

**OPTION CERTIFICATE - SCHEDULE**

**[Complete the following additional terms and any other special terms, if applicable, or remove the inapplicable terms or this schedule entirely.]**

The additional terms and conditions attached to the Option represented by this Option Certificate are as follows:

**The Options will not be exercisable unless and until they have vested and then only to the extent that they have vested. The Options will vest in accordance with the following:**

- (c) ● Shares (●%) will vest and be exercisable on or after the Grant Date;
- (d) ● additional Shares (●%) will vest and be exercisable on or after ● [date];
- (e) ● additional Shares (●%) will vest and be exercisable on or after ● [date];
- (f) ● additional Shares (●%) will vest and be exercisable on or after ● [date];

**Upon the Option Holder ceasing to hold a position with the Company, other than as a result of the events set out in paragraphs 5.4(a) or 5.4(b) of the Plan, the Expiry Date of the Option shall be ● [Insert date desired that is longer or shorter than the standard 90 days as set out in the Plan] following the date the Option Holder ceases to hold such position.**

SCHEDULE "B"

**OPTION-NFA INC/MBAC FERTILIZER CORP.**  
**STOCK OPTION PLAN**

**NOTICE OF EXERCISE OF OPTION**

TO: The Administrator, Stock Option Plan  
Option-NFA Inc.  
\_\_\_\_\_  
c/o Suite 500, 900 Hastings St. W.  
\_\_\_\_\_  
Vancouver, BC V6C 1E6/MBAC Fertilizer Corp.  
\_\_\_\_\_  
120 Adelaide Street West  
\_\_\_\_\_  
Suite 1900  
\_\_\_\_\_  
Toronto, Ontario M5H 1T1  
(or such other address as the Company may advise)

The undersigned hereby irrevocably gives notice, pursuant to the Stock Option Plan (the "Plan") of ~~Option-NFA Inc~~ MBAC Fertilizer Corp. (the "Company"), of the exercise of the Option to acquire and hereby subscribes for **(cross out inapplicable item)**:

- (a) all of the Shares; or
- (b) \_\_\_\_\_ of the Shares;

which are the subject of the Option Certificate attached hereto **(attach your original Option Certificate)**.

The undersigned tenders herewith a certified cheque or bank draft (circle one) payable to "~~Option-NFA Inc~~ MBAC Fertilizer Corp." in an amount equal to the aggregate Exercise Price of the aforesaid Shares and directs the Company to issue the certificate evidencing said Shares in the name of the undersigned to be mailed to the undersigned at the following address **(provide full complete address)**:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The undersigned acknowledges the Option is not validly exercised unless this Notice is completed in strict compliance with this form and delivered to the required address with the required payment prior to 5:00 p.m. local time in ~~Vancouver, B.C.~~ Toronto, Ontario on the Expiry Date of the Option.

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Signature of Option Holder