Audited Consolidated Financial Statements

For the Years Ended
December 31, 2015 and 2014

Management's Responsibility for Financial Information

The consolidated financial statements, the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of management of MBAC Fertilizer Corp. and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where necessary, include amounts which reflect management's best estimates and judgements based on current available information. MBAC Fertilizer Corp. maintains systems of internal accounting and administrative controls in order to provide reasonable assurance that the Company's assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the audited consolidated financial statements and the accompanying management's discussion and analysis.

The Audit Committee meets periodically with management and the independent auditors to review internal accounting controls, auditing matters and financial reporting issues, and to satisfy itself that all parties are properly discharging their responsibilities. The Audit Committee also reviews the consolidated financial statements, the management's discussion and analysis of financial results, the independent auditor's report and considers and recommends to shareholders, the engagement or reappointment of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited, on behalf of the shareholders, by the Company's independent auditors, PricewaterhouseCoopers LLP, in accordance with Canadian generally accepted auditing standards. PricewaterhouseCoopers LLP have full and free access to the Audit Committee.

Signed: "Cristiano Melcher"
Cristiano Melcher
Chief Executive Officer

Signed: "Rafael Rangel"
Rafael F. Rangel
Interim Chief Financial Officer

April 27, 2016

Independent Auditor's Report

To the Shareholders of
MBAC Fertilizer Corp.

We have audited the accompanying consolidated financial statements of MBAC Fertilizer Corp. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of operations, comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MBAC Fertilizer Corp. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $117,617,000 during the year ended December 31, 2015 and, as of that date, the Company's current liabilities exceeded its current assets by $262,156,000. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Signed: "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

April 27, 2016

MBAC FERTILIZER CORP.
Consolidated Balance Sheets
As at December 31, 2015 and December 31, 2014 *(In thousands of United States dollars)*

	December 31, 2015	December 31, 2014
ASSETS		
Current		
Cash and cash equivalents	$ 25	$ –
Restricted cash *(Note 6)*	146	1,409
Accounts receivable	3	73
Inventories *(Note 7)*	1,320	4,529
Other current assets *(Note 8)*	1,742	2,256
	3,236	8,267
Non-Current		
Other long-term assets *(Note 8)*	15,558	24,329
Property, plant and equipment *(Note 9)*	246,714	390,443
Mineral properties *(Note 10)*	42,921	60,669
Total Assets	$ 308,429	$ 483,708
LIABILITIES		
Current		
Bank indebtedness *(Note 11)*	$ –	$ 1,619
Accounts payable and accrued liabilities *(Note 12)*	32,397	32,073
Deferred revenue *(Note 13)*	–	1,515
Debt *(Note 15)*	232,995	254,788
	265,392	289,995
Non-Current		
Other long-term liabilities *(Note 14)*	5,561	10,122
Total Liabilities	270,953	300,117
SHAREHOLDERS' EQUITY		
Share capital *(Note 16)*	262,235	312,868
Contributed surplus *(Note 17)*	15,315	17,879
Warrant reserve *(Note 16)*	8,621	10,286
Cumulative translation adjustment reserve	9,332	(17,032)
Deficit	(258,027)	(140,410)
	37,476	183,591
Total Liabilities and Shareholders' Equity	$ 308,429	$ 483,708

General Information and Going Concern *(Note 1)*
Commitments and Contingencies *(Note 23)*
Subsequent events *(Note 27)*

ON BEHALF OF THE BOARD:

Signed: "Anthony Cina"	*Signed: "Cristiano Melcher"*
Anthony Cina	Cristiano Melcher
Director	Director

The accompanying notes are an integral part of these consolidated financial statements.

MBAC FERTILIZER CORP.
Consolidated Statements of Operations
For the years ended *(In thousands of United States dollars except for per share amounts)*

	December 31, 2015	December 31, 2014
Operating expenses		
Selling, general and administrative expenses *(Note 18)*	$ 27,490	$ 8,352
Exploration and evaluation expenditures	–	135
	27,490	8,487
Operating loss	(27,490)	(8,487)
Unrealized foreign exchange loss *(Note 19)*	(43,696)	(10,377)
Realized foreign exchange loss *(Note 19)*	(120)	(1,692)
Other (expense) income *(Note 18)*	(7.828)	704
Finance expense *(Note 20)*	(37,226)	(6,901)
Loss before income taxes	(116,360)	(26,753)
Current and deferred income tax expense *(Note 21)*	1,257	1,761
Net loss	$ (117,617)	$ (28,514)
Basic and diluted net loss per share *(Note 16(b))*	$ (0.65)	$ (0.16)

The accompanying notes are an integral part of these consolidated financial statements.

MBAC FERTILIZER CORP.
Consolidated Statements of Comprehensive Loss
For the years ended (*In thousands of United States dollars*)

	December 31, 2015	December 31, 2014
Net loss	$ (117,617)	$ (28,514)
Other comprehensive loss		
Items that may be reclassified subsequently to profit and loss:		
Cumulative translation adjustment[1]	(28,851)	(20,643)
Comprehensive loss	$ (146,468)	$ (49,157)

The accompanying notes are an integral part of these consolidated financial statements.

[1] Refer to Foreign currency translation accounting policy in Note 2 for 2014 revision.

	Share capital				Cumulative translation adjustment reserve		
	Number of shares	Amount	Contributed surplus	Warrant reserve		Deficit	Total equity
Balance, January 1, 2014	152,029,492	$ 328,865	$ 18,492	$ 5,542	$ (26,673)	$ (111,896)	$ 214,330
Net loss for the period	–	–	–	–	–	(28,514)	(28,514)
Other comprehensive loss (net of tax):							
Cumulative translation adjustment[1]	–	–	–	–	(20,643)	–	(20,643)
Comprehensive loss for the period	–	–	–	–	(20,643)	(28,514)	(49,157)
Share-based payment expense *(Note 17)*	–	–	974	–	–	–	974
Shares issued as equity financing, net of transaction costs (*Note 16(c)(d))*	29,578,000	11,962	–	5,482	–	–	17,444
Exchange differences[1]	–	(27,959)	(1,587)	(738)	30,284	–	–
Balance, December 31, 2014	181,607,492	$ 312,868	$ 17,879	$ 10,286	$ (17,032)	$ (140,410)	$ 183,591
Net loss for the year	–	–	–	–	–	(117,617)	(117,617)
Other comprehensive loss (net of tax):							
Cumulative translation adjustment	–	–	–	–	(28,851)	–	(28,851)
Comprehensive loss for the year					(28,851)	(117,617)	(146,468)
Share-based payment expense *(Note 17)*	–	–	353	–	–	–	353
Exchange differences	–	(50,633)	(2,917)	(1,665)	55,215	–	–
Balance, December 31, 2015	181,607,492	$ 262,235	$ 15,315	$ 8,621	$ 9,332	$ (258,027)	$ 37,476

The accompanying notes are an integral part of these consolidated financial statements.

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[1] Refer to Foreign currency translation accounting policy in Note 2 for 2014 revision.

MBAC FERTILIZER CORP.
Consolidated Statements of Cash Flows
For the years ended (*In thousands of United States dollars*)

	December 31, 2015	December 31, 2014
Cash provided by (used in):		
Operating activities		
Net loss	$ (117,617)	$ (28,514)
Adjusting items:		
Depreciation and depletion net of disposals	18,696	52
Share-based payment expense *(Note 17)*	353	974
Deferred income tax expense *(Note 21)*	1,257	1,663
Loss on disposition of property, plant and equipment *(Note 9)*	62	107
Loss on derecognition of CELTINS note receivable *(Note 8)*	–	2,025
Gain on disposition of mineral properties *(Note 10)*	–	(5,028)
Unrealized foreign exchange loss *(Note 19)*	43,696	10,377
Other financial expense	37,226	3,234
	(16,327)	(15,110)
Net change in non-cash working capital *(Note 26)*	9,203	17,856
	(7,124)	2,746
Investing activities		
Acquisition of property, plant and equipment	(258)	(38,779)
Exploration, evaluation and mine development expenditures	–	(2,207)
Proceeds on disposition of property, plant and equipment *(Note 9)*	–	360
Change in CELTINS note receivable *(Note 8)*	–	7,971
	(258)	(32,655)
Financing activities		
Issuance of common shares and warrants, net of transaction costs *(Note 16(c))*	–	17,444
Proceeds from debt financing *(Note 15)*	17,291	55,799
Repayment of debt *(Note 15)*	(5,446)	(39,960)
Interest and fees paid on debt *(Note 15)*	(3,821)	(28,486)
Change in restricted cash *(Note 6)*	1,002	22,744
	9,026	27,541
Foreign currency effect on cash	–	88
Increase (decrease) in cash	1,644	(2,280)
Cash (bank indebtedness), beginning of year	(1,619)	661
Cash (bank indebtedness), end of year	$ 25	$ (1,619)

The accompanying notes are an integral part of these consolidated financial statements.

1.GENERAL INFORMATION AND GOING CONCERN

MBAC Fertilizer Corp. ("MBAC" or the "Company") is a Canadian-based company engaged in the mining, production and exploration of phosphate fertilizers in the Brazilian market. The Company is focused on becoming a significant integrated producer of phosphate fertilizer and related products in the Brazilian market. The Company operates the Itafós Arraias Single Super Phosphate ("SSP") Operations which is wholly owned by the Company's subsidiary, Itafós Mineração Ltda. ("Itafós"). The production facility comprises a beneficiation plant, a sulphuric acid plant, an SSP acidulation plant and a granulation plant (the "Itafós Arraias SSP Operations").

These consolidated financial statements have been prepared on a basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2015, the Company incurred a net loss of $117,617,000, and as of that date, the Company's current liabilities exceeded its current assets by $262,156,000. As of December 31, 2015, the Company had no sources of operating cash flow and does not have sufficient cash on-hand to fund overhead administration expenditures or future operations. Additionally, the Company is not in compliance with certain debt covenants associated with its Project Financing Loans, resulting in all debt being classified current due to the ability of the lender to request repayment of the debt on demand.

Primarily in response to market conditions and as a means to preserve working capital during the strategic review process described below, the Company's Itafós Arraias SSP Operation was put into care and maintenance mode in the beginning of 2015. The Company continued through the first half of 2015 to conduct a strategic review process to help find a definitive solution to the Company's working capital constraints and liquidity requirements. Options that were considered in the course of the strategic review process included, but were not limited to, securing a strategic partner, the sale of the Company or its assets as well as other potential value-maximizing transactions. In July 2015, the Company entered into a non-binding offer with an investment fund active in the fertilizer industry. While the transaction contemplated by the non-binding offer was not completed, the investment fund extended to the Company a senior secured bridge loan. The Company has drawn down on the bridge loan during 2015 for working capital needs during the process. The bridge loan has been the primary source of funding during 2015 for the Company and it has limited other financial resources. Although MBAC believes that a long-term solution will be achieved in due course , the Company's ability to continue as a going concern is dependent on obtaining additional working capital funding in the immediate term and restructuring the company's debt and other liabilities pursuant to the terms of the support agreement entered into with the investment fund (the "Support Agreement"). . The Company is currently in the process of initiating a recapitalization and restructuring process in accordance with the provisions of the Companies' Creditors Arrangement Act (CCAA) in Canada and a restructuring transaction to be implemented under an Extrajudicial Restructuring Proceeding in Brazil, pursuant to the terms of the Support Agreement. Reference to this process is made in note 27. On completion of this process, there would be significant dilution to the holdings of existing shareholders. The success of the recapitalization and restructuring process is conditional upon, among other things, creditor and court approval. These circumstances indicate material uncertainty that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "MBC". On April 14, 2016, the TSX announced that the Company's common shares and share purchase warrants would be delisted from the TSX effective May 13, 2016. Its registered office is at 1 Dundas Street West, Suite 2500, Toronto, Ontario, M5G 123, Canada.

2.BASIS OF CONSOLIDATION AND PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared by management in accordance with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on IFRS in effect as at December 31, 2015.

These financial statements were authorized for issuance by the Board of Directors of the Company on April 27, 2016.

Basis of preparation and presentation

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention.

The consolidated financial statements are presented in United States Dollars ("USD"). References herein to C$ and CAD are to the Canadian Dollar and R$ and BRL are to the Brazilian Real.

Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions are eliminated on consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. All of the Company's subsidiaries, located in Canada, Brazil, the Netherlands and Barbados, are wholly owned. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents (Bank indebtedness)

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term investments with terms of less than 90 days. Bank indebtedness includes amounts withdrawn on the Company's overdraft facilities.

Inventories

Inventories, consisting of raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Mine operating spare parts and supplies are recorded at the lower of cost and net realizable value. During the pre-commercial production period, any adjustment from book value to net realizable value is capitalized to property, plant and equipment (see "Commencement of commercial production" policy below). When properties are placed on care and maintenance, any adjustment from book value to net realizable value is recorded as an expense in the period. Reversal of previous write-downs is made when there is a subsequent increase in the value of inventories.

Cost includes materials, direct labour, other direct costs and production overhead and amortization of plant, equipment and mineral properties directly involved in the mining and production processes. These costs are allocated to raw materials, work in process and finished goods based on the costs incurred in the applicable stage of processing. Overhead costs are allocated based on normal levels of production. In periods where the Company produces at less than normal capacity, unallocated overhead costs are recognized as an expense in cost of sales in the period in which they are incurred. Prior to the commencement of commercial production, such costs are capitalized to property, plant and equipment. See "Commencement of commercial production" policy below. As phosphate is processed and sold, costs are removed on a weighted-average basis.

Property, plant and equipment

Buildings, plant and equipment are recorded at cost, which includes all expenditures incurred to prepare the asset for its intended use. Costs are also capitalized to the extent they improve the productive capacity or extend the useful economic life of an asset. Depreciation commences when an asset is available for use; fixed assets specific to the Itafós Arraias SSP Operations were available for use at the start of 2015. In 2014, depreciation of property, plant and equipment available for use and used in the construction of the production facility was capitalized to property, plant and equipment.

The following table summarizes the bases of depreciation and useful economic lives of major categories of property, plant and equipment.

	Depreciation Method	Useful Life
Land	Not depreciated	–
Buildings	Straight-line	3 to 19 years
Machinery and equipment	Straight-line	2 to 10 years
Other	Straight-line	2 to 6 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

The Company derecognizes property, plant and equipment upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposable proceeds and the carrying amount of the asset and is recognized within other income (loss) in the statement of operations.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets periodically over the term of the respective facility to which the borrowing costs relate, until such time as the assets are substantially ready for their intended use or sale, or until development of the qualifying asset is suspended.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is offset against the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Commencement of commercial production

The Company assesses each mine construction project to determine when a mine moves into the production stage. The Company defines the commencement of commercial production as the period during which the plant has reached a level that is consistent with the use intended by management; achieving a sustainable level of production that provides a basis for a reasonable expectation of profitability.

Costs specific to operations prior to this point, including depreciation of related plant and equipment, are capitalized and proceeds from sales during this period are offset against costs capitalized. Upon the achievement of commercial production, the capitalization of costs incurred ceases and revenues and costs are reflected in the statement of operations. The capitalized costs are expected to be depreciated over the useful life of the related asset.

Mineral properties and exploration and evaluation expenditures

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

Costs incurred in exploration and evaluation of reserves and resources are expensed up until a time where the expenditures are deemed to have probable future economic benefit based on factors such as the receipt of an independent preliminary economic assessment or other study suggesting positive project economics. Such expenditures include geological and geophysical expenses, costs of drilling and general and administrative costs related to exploration and evaluation activities. Once a project is deemed to have probable future economic benefit, related costs incurred subsequent to this date are capitalized until either commercial production commences or it is determined that the capitalized amounts will not be recovered. Capitalized costs are not amortized until transferred to mineral properties.

The mining operations are sometimes put on care and maintenance because a change in circumstances which is primarily related to a liquidity event, which makes production or further development uneconomical. Instead of shutting down and abandoning the property, operations and development are curtailed and the mine is placed on a "care-and-maintenance" basis. During this period, depreciable assets continue to be depreciated over their useful economic lives.

Deferred stripping costs

Stripping costs comprise the removal of overburden from a mine. Stripping costs that represent a betterment of a mineral property are capitalized to mineral properties. Such capitalized stripping costs are amortized on a unit-of-production method over the proven and probable reserves to which these costs relate. Other stripping costs are included in the cost of inventory produced during the period when the stripping benefits the production within the coming year.

Impairment of non-current assets

The Company reviews and tests the carrying amount of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"s). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently recorded at amortized cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan, are capitalized as a pre-payment for liquidity services and amortized using the effective interest rate method over the period of the facility to which it relates.

Provision for environmental restoration ("PER")

The Company recognizes the present value of an environmental restoration obligation in the period in which it is incurred and when a reasonable estimate of the fair value of such obligation can be made. The present value of the estimated PER is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is amortized to expense through depletion over the life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of this accretion is charged to earnings in the period. Revisions, if any, to the estimated timing of cash flows, to the original estimated undiscounted cost, or to update the discount rate to a current rate, if any, also result in an increase or decrease to the PER and the related asset. Actual costs incurred upon settlement of the PER are charged against the PER to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the PER and the recorded liability is recognized as a gain or loss in the Company's earnings in the period in which the settlement occurs. Costs arising from unforeseen remediation activity are recognized as an expense and liability when the event occurs that gives rise to an obligation and reliable estimates of the required rehabilitation costs can be made.

Share issuance costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, net of discounts, returns, sales allowances and sales taxes. Revenue is recognized when the product is shipped to the customer and title has been transferred, the significant risks and rewards of ownership have been transferred to the buyer, the price can be reliably measured and it is probable that the economic benefits associated with the sale will flow to the Company. Prior to the commencement of commercial production, the Company capitalizes all revenues related to the Itafós Arraias SSP Operations to property, plant and equipment; see "Commencement of commercial production" policy.

Share-based payments

The Company has a stock option plan ("Stock Option Plan") for certain employees, directors and consultants. The Company accounts for share-based payments under the Stock Option Plan that settle through the issuance of equity using a fair value based method, whereby the fair value of the share-based award is determined at the date of grant using a market-based option valuation model. The fair value of the award is accrued on a graded vesting basis and recorded as compensation expense with a corresponding increase to contributed surplus. No adjustment for subsequent changes in the price of the Company's shares will be recorded. On exercise of the award, the proceeds together with the amount recorded in contributed surplus are recorded as share capital. Equity-settled share-based payment transactions not under the Stock Option Plan are measured at the fair value of the good or service received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted in the countries where the Company and its subsidiaries operate and generate taxable income, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Tax on income in interim periods is accrued using the estimated tax rate that would be applicable to expected total annual earnings.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Income (loss) per share

Basic net income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted net income (loss) per share is calculated using the treasury stock method and reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted net income (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Foreign currency translation

The following are the Company's foreign currency translation methodologies:

i) Functional currency

Items included in the financial statements of each entity consolidated within the MBAC group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Brazilian subsidiaries of the Company is the Brazilian Real. The functional currency of all other entities is the Canadian dollar.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of income under foreign exchange gain/(loss).

iii) Presentation currency and translation of foreign operations

To align the Company with its peers, the presentation currency of the Company is USD.

In accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*, Company entities and operations whose functional currencies differ from the presentation currency ("foreign operations") are translated into USD as follows:

- assets, liabilities, share capital, contributed surplus and warrants are translated at the closing rate as at the date of statement of financial position;
- income and expenses are translated at the average rate of exchange for the reporting period (as this is considered a reasonable approximation to actual rates);
- translation gains and losses relating to assets, liabilities, income and expenses are recognized in consolidated other comprehensive income ("OCI") as cumulative translation adjustments, and are reported as such in the cumulative translation adjustment reserve;
- translation differences relating to share capital, contributed surplus and warrants should be recorded directly in the cumulative translation adjustment reserve within equity. In the prior year, the translation related to equity was incorrectly charged to other comprehensive income. This has been adjusted in the current year financial statements to record this translation directly in the

cumulative translation adjustment reserve. This adjustment had the impact of reducing other comprehensive income for 2014 by $30,284;

- retained earnings and deficit is translated at the historical rate of exchange of the underlying income and expense items; and
- when an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in OCI related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in the cumulative translation adjustment reserve related to the subsidiary is reallocated between controlling and non-controlling interests.

Financial instruments

All financial instruments have been classified into one of the following four categories: fair value through profit or loss, loans and receivables, available-for-sale financial assets and financial liabilities at amortized cost. Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instruments.

Fair value through profit or loss financial instruments are measured at fair value and all gains and losses resulting from changes in those fair values are included in the statement of operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income (loss) until the instruments are derecognized or impaired. Available-for-sale securities are reviewed periodically for possible impairment and more frequently when economic or market concerns warrant such evaluation. An impairment is assessed if there is a significant or prolonged decline below the investment's carrying value. Loans and receivables and financial liabilities at amortized cost are measured at amortized cost and are amortized using the effective interest method. At the end of each reporting period, the Company determines if there is objective evidence that an impairment loss on financial assets measured at amortized costs has been incurred. If objective evidence exists that impairment loss for such assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the statement of operations in the period in which it arises.

The Company's financial instruments consist of cash and cash equivalents, current and long-term accounts receivable, accounts payable and accrued liabilities, and debt. The Company has elected the following classifications:

Cash	*Loans and receivables*
Current and long-term receivables	*Loans and receivables*
Accounts payable and accrued liabilities	*Financial liabilities at amortized cost*
Debt	*Financial liabilities at amortized cost*

A financial asset is derecognized when its contractual rights to the cash flows that compose the financial asset expire or substantially all the risks and rewards of the asset are transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are included in the statement of operations in the period in which they arise.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision-maker, comprised of the senior management team, performs its planning, decision making, cash flow management and other management activities on such segment structure and relies on a management team with its members positioned in Canada and Brazil. The Company is organized on the basis of three segments:

Operations	*Projects and activities that have entered the production stage*
Development and Exploration	*All other projects and activities in the exploration and development stage*
Corporate	*Activities related to administrative offices in Canada, Brazil, Barbados and the Netherlands*

4.CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgement involved and the potential impact on the Company's reported financial results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates are deemed critical if the Company's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

Critical judgements in the application of accounting policies

Information about critical judgements and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) Ability to continue as a going concern

Significant judgements are used in the Company's assessment of its ability to continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of operations, which is described in Note 1.

ii) Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of the value in use amount or the fair value less costs of disposal in the case of property, plant and equipment and mineral property. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

iii) Determination of economic viability

Management has determined that costs associated with projects which have been capitalized have future economic benefits and are economically recoverable. In making this judgement, management assessed various sources of information including but not limited to the geologic and metallurgic information, the existence of economically recoverable reserves and resources, the ability of the Company to obtain the funding necessary to complete exploration and development activities and the future profitability, all of which are subject to significant risks and uncertainties.

iv) Commencement of commercial production

The Company must make a judgement when determining whether a mine has reached an operating level that is consistent with the use intended by management. Assessing whether a mine has achieved commercial production requires management to make a judgement of a reasonable expectation of profitability, and must consider various qualitative factors including but not limited to the completion of all major expenditures to bring the mine to the condition necessary for operations, the completion of a reasonable commissioning period for the mine plant and equipment, the achievement of a pre-determined percentage of design capacity, the consideration of whether mineral recoveries are near expected production levels, the capability to sustain an ongoing production of ore and the ability to produce a saleable product within necessary specifications.

v) Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements. Refer to note 23 for more information.

Key sources of estimation uncertainty in the application of accounting policies

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

i) Mineral reserves estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, based on certain prescribed standards, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and certain assumptions including economic assumptions such as commodity prices and market conditions which could have a material effect in the future of the Company's financial position and results of operation.

A number of accounting estimates, as described in the relevant accounting policy notes above, are impacted by the reserve and resource estimate:

Mineral properties and exploration and evaluation expenditures and associated depreciation expense
Impairment of non-current assets
Provision for environmental restoration and related accounts

ii) Impairment of long-lived assets

While assessing whether any indicators of impairment exist for long-lived assets, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information include the manner in which property, plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the mineral properties and the appropriate discount rate. Reductions in price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reduction in the amount of recoverable mineral reserves and resources and/or adverse current economics can result in a write-down of the carrying amounts to the Company's mineral properties.

At year end, an impairment test was conducted on the Company's Itafós and Santana properties due to the Company's market capitalization being below the carrying value of net assets. The recoverable amount of the Itafós cash generating unit (CGU) has been determined using a fair value less costs of disposal (FVLCD) model. This is a discounted cash flow model, representing management's estimate of the expected return that a market participant would obtain from the property based on operating the Itafós property in accordance with its best and intended use. In forming the model, data with respect to the mine's operating capability in accordance with the technical report issued on March 27, 2013 has been taken into consideration.

As a result of the test, it was determined that Itafós' FVLCD was greater than its carrying value of $258.8 million by $12.3 million as at December 31, 2015, and that no impairment charge was required to the property's carrying amount as at December 31, 2015. Some of the key assumptions incorporated into management's estimate are noted as follows:

Long-term SSP sales price:	*$205/ton*
Long-term Brazilian Real : US dollar exchange rate:	*R$3.99 : $1*
Weighted average cost of capital	*8.7% p.a.*
Conversion factor of indicated and inferred resources to mineable property	*95%*

A summary of the impact on the impairment charge for a change in the key assumptions, holding all other factors in the model constant, are noted as follows:

10% reduction in long-term SSP sales price:	*Impairment of approximately $75 million*
10% strengthening in long-term Brazilian Real against the US dollar:	*Impairment of approximately $31 million*
10% reduction in conversion of indicated and inferred resources	*No Impairment*

At year end, an impairment test was also conducted on the Company's Santana property due to the Company's market capitalization being below the carrying value of net assets. The recoverable amount of the Santana CGU was also determined using a market approach. As a result of the test, it was determined that Santana's FVLCD was greater than its carrying value of $12 million as at December 31, 2015, and that no impairment charge was therefore required.

iii) Income taxes

The Company is subject to income taxes in numerous jurisdictions. The calculation of income taxes requires judgement in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the realizability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

5.CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

New standards and interpretations not yet adopted

The IASB has issued the following applicable standards, which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a description of the new standards:

(i) IFRS 7, *Financial Instruments – Disclosure*, has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective on adoption of IFRS 9.

(ii) IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

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

The final version of IFRS 9 was published in July 2014 and includes (i) a third measurement category for financial assets – fair value through OCI; (ii) a single, forward-looking "expected loss" impairment model; and (iii) a mandatory effective date for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) IFRS 15, *Revenue from Contracts with Customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11, *Construction Contracts* and IFRIC 13, *Customer Loyalty Programs*. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted.

(iv) IFRS 16, *Leases*, was issued in January 2016. The standard requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16.

(v) Amendments to IAS 1, Presentation of financial statements, to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Effective for years beginning after January 1, 2016.

6. RESTRICTED CASH

The Company had restricted cash of $146 (December 31, 2014 – $1,409). During 2015, the Company's senior lenders released certain funds from the debt service accounts to meet certain capital needs with the balance being retained as restricted cash.

7. INVENTORIES

	December 31, 2015	December 31, 2014
Raw materials	$ 648	$ 2,482
Work in process	49	423
Finished goods	–	303
Spare parts and supplies	863	1,321
	$ 1,560	$ 4,529
Inventory Allowance	(240)	–
	$ 1,320	$ 4,529

8. OTHER LONG-TERM ASSETS

	December 31, 2015	December 31, 2014
Tax credits	$ 15,556	$ 23,628
Finance lease receivable	506	1,317
Other	1,238	1,640
	17,300	26,585
Less: Current portion	1,742	2,256
	$ 15,558	$ 24,329

Tax credits

Tax credits consist of Brazilian state and federal taxes accumulated primarily on purchases of property, plant and equipment and can be applied to offset and potentially reimburse certain value added taxes and other taxes payable in future periods. As at December 31, 2015, the Company had tax credits of $15,556 (December 31, 2014 – $23,628) of which $326 (December 31, 2014 – $251) was included in "Other current assets".

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Plant	Machinery, equipment and other	Assets under construction	Total
Cost					
Balance as at December 31, 2013	$ 4,509	$ 154,458	$ 221,952	$ 3,298	$ 384,217
Additions	–	20,658	68,011	–	88,669
Disposals	–	–	(891)	–	(891)
Transfers	–	1,685	1,679	(3,364)	–
Exchange differences	(500)	(19,640)	(32,528)	66	(52,602)
Balance as at December 31, 2014	$ 4,009	$ 157,161	$ 258,223	$ –	$ 419,393
Additions	–	25	233	–	258
Disposals	–	(228)	(6)	–	(234)
Exchange differences	(1,320)	(51,740)	(84,137)	–	(137,197)
Balance as at December 31, 2015	$ 2,689	$ 105,218	$ 174,313	$ –	$ 282,220

Accumulated Depreciation

Balance as at December 31, 2013	$ –	$ 3,996	$ 6,256	$ –	$ 10,252
Depreciation for the period	–	9,133	13,712	–	22,845
Disposals	–	–	(424)	–	(424)
Exchange differences	–	(1,401)	(2,322)	–	(3,723)
Balance as at December 31, 2014	$ –	$ 11,728	$ 17,222	$ –	$ 28,950
Depreciation for the period	–	7,642	11,054	$ –	18,696
Disposals	–	(94)	(6)	–	(100)
Exchange differences	–	(5,155)	(6,885)	_	(12,040)
Balance as at December 31, 2015	$ –	$ 14,121	$ 21,385	–	$ 35,506
Net Book Value					
As at December 31, 2014	$ 4,009	$ 145,433	$ 241,001	$ –	$ 390,443
As at December 31, 2015	$ 2,689	$ 91,097	$ 152,928	$ –	$ 246,714

Prior to January 7, 2015, the Company capitalized pre-commercial production costs relating to the Itafós Arraias SSP Operations as property, plant and equipment, as these costs were incurred in the development of the Itafós Arraias SSP Operations towards commercial production. Effective January 7, 2015, the Itafós Operations was placed under care and maintenance while the Company continues to seek potential solutions, most recently through the Support Agreement described in Note 27.. The Company determined that expenditures incurred at Itafós Arraias SSP operations during the care and maintenance phase no longer satisfy the requirement to be capitalized as an asset, and accordingly are recorded as "Idle production costs" included in Selling, General and Administrative expenses in the consolidated statement of operations.

As at December 31, 2015, borrowing costs of $38,027 (December 31, 2014 – $56,409) had been capitalized and are included in "Property, plant and equipment". During the twelve months ended December 31, 2015, the Company capitalized borrowing costs of $Nil (Year ended December 31, 2014 – $24,256).

The Operations care and maintenance expenses of $21,878 for the year ended December 31 2015 (year ended December 31, 2014 –$Nil) were primarily comprised of depreciation expense of $18,696.

10. MINERAL PROPERTIES

	Development costs	Exploration and evaluation costs	Accumulated Depletion	Net book value
Balance as at December 31, 2013	$ 46,729	$ 19,134	$ (1,625)	$ 64,238
Additions	4,585	248	(784)	4,049
Disposals	–	–	–	–
Exchange differences	(6,039)	(1,860)	281	(7,618)
Balance as at December 31, 2014	$ 45,275	$ 17,522	$ (2,128)	$ 60,669
Additions	2,320	3	–	2,323
Disposals	(233)	–	–	(233)
Exchange differences	(14,772)	(5,766)	700	(19,838)
Balance as at December 31, 2015	$ 32,590	$ 11,759	$ (1,428)	$ 42,921

During 2013, the Company executed a sale of its interest in a non-material area of exploration ground for a sale price of $10,000. The Company recognized a gain of $4,704 related to this sale which was included in "Other income" on its 2013 consolidated statement of operations. Based on the agreement, the purchaser was expected to pursue an exploration program within four years, and produce a technical report. The agreement to this transaction provided for certain indemnification provisions in favour of the buyer which may have resulted in a maximum exposure of $5,000 for the Company. The original agreement also entitled MBAC for royalties on sales of underlying commodity sold by the buyer in the future. During 2014, the buyer undertook a preliminary assessment of the area and the results were negative, which could have resulted in MBAC having to pay the

required $5,000. However, the buyer and MBAC reached an arrangement where the buyer waived this right to receive the $5,000 in exchange for MBAC relinquishing any right to receipt of royalties on future sales of the commodity from the non-material area of exploration. As such, after receiving an unconditional waiver from the buyer, MBAC derecognized the full amount of $5,000 of deferred income liability and recorded it as income in "Other income" on the statement of operations for 2014.

11. BANK INDEBTEDNESS

During 2014, in order to meet daily cash flow requirements, the Company utilized a revolving line of credit of $1,619 (R$4,337) in the form of an overdraft on its bank accounts. At 2015 year-end, the Company no longer had that credit facility.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2015	December 31, 2014
Trade payables and accruals	$ 20,124	$ 22,112
Payroll and related taxes payable	6,751	6,564
Restructuring provision *(Note 14)*	55	316
Taxes payable	2,157	1,830
Other (includes provision for legal claims)	3,310	1,251
	$ 32,397	$ 32,073

13. DEFERRED REVENUE

	December 31, 2015	December 31, 2014
Balance, beginning of the period	$ 1,515	$ 1,824
Payments received in advance		15,245
Recognized as revenue on delivery [1]	(1,515)	(15,337)
Effects of movement in foreign exchange	–	(217)
Balance, end of period	$ –	$ 1,515

[1] Until commercial production was reached at the Itafós Arraias SSP Operations, the Company capitalized all revenue related to the Itafós Arraias SSP Operations to "Property, plant and equipment".

14. OTHER LONG-TERM LIABILITIES

	December 31, 2015	December 31, 2014
Withholding taxes payable	$ 4,242	$ 4,756
Long-term taxes payable	661	4,375
Provision for environmental restoration	658	866
Restructuring provision	–	125
	$ 5,561	$ 10,122

Withholding taxes payable

Withholding taxes payable of $4,242 as at December 31, 2015 (December 31, 2014 – $4,756) are mainly related to the taxes payable to the Brazilian tax authorities with respect to the intercompany loans between the Company's subsidiaries. These taxes are due upon maturity of the intercompany loans, which according to the intercompany loan agreements would be after 2020.

Long-term taxes payable

Long-term taxes payable of $661 as at December 31, 2015 (December 31, 2014 – $4,375) is primarily comprised of payroll taxes payable of $Nil (December 31, 2014 – $3,430) for which deferred payment terms were negotiated with the Brazilian tax authorities. During 2014, the negotiation of deferral terms resulted in interest and penalties of $1,648, which have been recorded in "Other income" on the consolidated statement of operations. In 2015, these deferral arrangements for payroll taxes payable were terminated and the amounts were reclassified to

current liabilities. In 2015, the Company was not able to pay these amounts to the Brazilian tax authorities and as such was not in compliance. However, MBAC continues to negotiate with the Brazilian government to enter into new deferral arrangements to extend the due date for the amounts due. As such, they remain in current liabilities at December 31, 2015

Restructuring provision

During 2014, the Company implemented a set of comprehensive cost-containment initiatives, including a restructuring of the Company's workforce thereby incurring severance and termination costs. As at December 31, 2015, the Company had a provision of $55 included in "Accounts payable and accrued liabilities". During the prior year, the Company incurred total restructuring costs of $1,132 which were recorded in "Selling, general and administrative expenses" on the consolidated statement of operations.

15. DEBT

	December 31, 2015	December 31, 2014
Project Financing:		
FINAME Loans	$ 2,299	$ 3,393
Itaú Loans	62,037	76,885
IFC Loan	44,606	40,817
Mizuho Loan	15,578	19,417
Votorantim Loans	12,913	17,741
Other Loans:		
Itaú Mezzanine Loans	36,660	38,847
Working Capital Loans	58,902	54,565
Santana BNDES Loan	-	3,123
	$ 232,995	$ 254,788[1]

[1] Balances include interest accruals of $19,959 (December 31, 2014 – $9,311) and are net of unamortized borrowing costs of $6,671 (December 31, 2014 – $13,518), which are included as deferred transaction costs in the carrying value of the long-term debt, and amortized using the effective interest method.

During 2015, debt movements were as follows:

	FINAME	Itaú	IFC	Mizuho	Votorantim	Mezzanine	WC	Santana	Total
Balance as at December 31, 2014	3,393	76,885	40,817	19,417	17,741	38,847	54,565	3,123	254,788
Withdrawals	–	–	–	–	–	–	17,291	–	17,291
Interest Accruals	351	19,202	6,127	2,914	846	8,220	6,916	86	44,662
Interest converted to principal	(126)	(5,377)	(2,733)	–	–	–	(1,646)	–	(9,882)
Fees Amortization	–	549	395	127	50	2,764	64	231	4,180
Repayment of principal	(134)	–	–	–	–	–	(2,948)	(2,364)	(5,446)
Interests payments	(55)	(1,930)	–	–	–	–	(1,746)	(90)	(3,821)
Foreign Exchange variance	(1,130)	(27,292)	–	(6,880)	(5,724)	(13,171)	(13,594)	(986)	(68,777)
Balance as at December 31, 2015	2, 299	62,037	44,606	15,578	12,913	36,660	58,902	–	232,995

In October 2014, the Company executed debt extension agreements with its senior lenders whereby MBAC was permitted to defer the repayment of principal and interest amounts for a period of up to two years. The senior debt extension also includes an extension of the current maturity dates of the existing working capital facilities previously provided by the senior lenders by approximately four years. The Company will not be required to replenish the debt service reserve accounts until 2016. During 2015, the senior lenders released certain funds from the debt service reserve accounts to meet certain working capital needs.

As at December 31, 2015 and 2014, the Company was not in compliance with certain debt covenants associated with its Project Financing Loans and therefore has presented all its debt as current.

Itaú Loans

The Company has a credit facility agreement with Banco Itaú BBA ("Itaú"). This credit facility, comprised of five sub-credit loans, has a total principal balance at December 31, 2015 of $61.9 million (R$245.5 million). During

2014, as part of the debt extension, the Company amended the credit facility agreement with Itaú. The terms of the amended Itaú Loan agreement are as follows:

	Value	Interest	Maturity	Term	Repayments[1]
A	$19.4 million (R$76.9 million)	TJLP[2] + 5.50% p.a.	November 15, 2020	90 months	• Interest quarterly beginning Nov 15, 2014, monthly commencing Sep 15, 2016 • Principal monthly beginning Sep 15, 2016
B	$11.7 million (R$46.4 million)	TJLP + 5.50% + 1.00% p.a.	November 15, 2020	90 months	• Interest quarterly beginning Nov 15, 2014, monthly commencing Sep 15, 2016 • Principal monthly beginning Sep 15, 2016
C	$17.0 million (R$67.3 million)	UMBNDES[3] + 5.50% p.a.	January 15, 2021	90 months	• Interest quarterly beginning Jan 15, 2015, monthly commencing Nov 15, 2016 • Principal monthly beginning Nov 15, 2016
D	$13.7 million (R$54.3 million)	TJLP + 5.00% p.a.	November 15, 2020	90 months	• Interest quarterly beginning Nov 15, 2014, monthly commencing Sep 15, 2016 • Principal monthly beginning Sep 15, 2016
E	$0.1 million (R$0.5 million)	TJLP + 2.00% p.a	November 15, 2020	90 months	• Interest quarterly beginning Nov 15, 2014, monthly commencing Sep 15, 2016 • Principal monthly beginning Sep 15, 2016

[1] Itaú agreed to provide the Company with new loans to cover interest repayments; the interest on these new loans is payable quarterly, beginning immediately (see discussion on *Itaú Working Capital Loans 3* below).

Under this credit facility, beginning in June 2015, Itafós must maintain certain ratios in respect of the Itafós Arraias SSP Operations which are required to be certified semi-annually. This has not occurred during 2015. The ratios are as follows:

- The Debt Service Coverage Ratio must be greater than or equal to 1.0 until 2019; greater than or equal to 1.3 thereafter.
- The Debt Service Coverage Ratio (including existing free cash) must be greater than or equal to 1.3 until 2017; greater than or equal to 1.5 thereafter.
- The Fixed Assets to Net Worth Ratio must be greater than or equal to 0.17 until 2016, greater than or equal to 0.25 in 2017; and greater than or equal to 0.30 thereafter.
- The Financial Leverage Ratio must be less than or equal to 6.0 until the end of 2015; less than or equal to 3.0 in 2016; less than or equal to 2.5 in 2017; and less or equal to 2.0 thereafter.

IFC Loan

The Company had a loan agreement with International Finance Corporation ("IFC"). As at December 31, 2014, the loan was fully drawn. During 2014, as part of the debt extension, the Company amended the agreement with IFC.

The terms of the IFC Loan agreement are as follows:

Value	Interest	Maturity	Term	Repayments
$44.5 million	Six month LIBOR[4] + 5.40% p.a.	November 15, 2020	102 months	• Interest monthly beginning Sep 2016 • Principal monthly beginning Sep 2016: ○ 3.250% per month Sep 2016 to Dec 2016; ○ 1.917% per month Jan 2017 to Dec 2019; ○ 1.635% per month Jan 2020 to Nov 2020.

Under the terms of the amended IFC Loan Agreement, interest shall continue to accrue and be capitalized, on a quarterly basis, beginning in December 2014.

Under this credit facility, Itafós must maintain, at all times, certain ratios in respect of the Itafós Arraias SSP Operations which are required to be certified semi-annually. This has not occurred during 2015. The ratios are as follows:

- The Debt Service Coverage Ratio must be greater than or equal to 1.0 until 2019; greater than or equal to

[2] *"TJLP" refers to the* Taxa de Juros de Longo Prazo*, the long-term interest rate released by the Central Bank of Brazil (Banco Central do Brasil). In the event that TJLP exceeds 6% a year, the excess amount shall be capitalized.*

[3] *"UMBNDES" refers to the* Unidade Monetaria BNDES*, the weighted average of the exchange variance in existing currencies in the BNDES currency basket.*

[4] *"Six month LIBOR" refers to LIBOR as calculated on a loan with a six month maturity.*

1.3 thereafter.

- The Debt Service Coverage Ratio (including existing free cash) must be greater than or equal to 1.3 until 2017; greater than or equal to 1.5 thereafter.
- The Net Debt to EBITDA Ratio must be less than 6.0:1.0 until the end of 2015; 3.0: 1.0 during 2016; 2.5:1.0 during 2017 and 2.0: 1.0 thereafter.
- The Tangible Net Worth to Total Assets Ratio must be greater than 0.17:1.0 until the end of 2016; 0.25: 1.0 during 2017; and 0.30:1.0 thereafter.

During the year, this loan was purchased by Zaff LLC (see note 27). No terms were amended as part of this assignment.

Mizuho Loan

The Company has a credit facility agreement with Banco Mizuho do Brasil S.A. ("Mizuho") The Mizuho Loan provided for $11.8 million (R$46.8 million) and was fully drawn in 2012. The terms of the Mizuho Loan required that the Company enter into hedging arrangements in order to convert the amounts disbursed under the loan into USD, which the Company executed during 2014. During 2014, as part of the debt extension, the Company settled the hedging arrangements and amended the agreement with Mizuho. The terms of the amended Mizuho Loan agreement are as follows:

Value	Interest	Maturity	Term	Repayments
$11.8 million (R$46.8 million)	DI Rate + 4.50% p.a.	March 15, 2018	72 months	• Interest monthly beginning Sep 2016 • Principal monthly beginning Sep 2016

Under the Mizuho credit facility agreement, Itafós must maintain a combination of ratios defined at the Itaú Loans and at the IFC Loan (discussed above) with respect to the Itafós Arraias SSP Operations.

Votorantim Loans

The Company has a credit facility agreement with Banco Votorantim S.A. ("Votorantim"). This credit facility, comprised of four sub-credit loans, had a total principal balance as at December 31, 2015 of $12.6 million (R$49.9 million). During the 2015, as part of the debt extension, the Company amended the Votorantim Loan agreement. The terms of the amended Votorantim Loan agreement are as follows:

	Value	Interest	Maturity	Term	Repayments
A	$4.9 million (R$19.5 million)	TJLP + 5.50% p.a.	November 15, 2020	90 months	• Interest quarterly beginning Nov 15, 2014, monthly commencing Sep 15, 2016 • Principal monthly beginning Sep 15, 2016
B	$3.0 million (R$11.7 million)	TJLP + 5.50% + 1.00% p.a.	November 15, 2020	90 months	• Interest quarterly beginning Nov 15, 2014, monthly commencing Sep 15, 2016 • Principal monthly beginning Sep 15, 2016
C	$4.0 million (R$13.6 million)	UMBNDES + 5.50% p.a.	January 15, 2021	92 months	• Interest quarterly beginning Jan 15, 2015, monthly commencing Nov 15, 2016 • Principal monthly beginning Nov 15, 2016
D	$0.7 million (R$2.7million)	3.00% p.a.	November 15, 2019	78 months	• Interest quarterly from inception until Nov 15, 2013, monthly commencing Dec 15, 2013 • Principal monthly beginning Dec 15, 2013

[1] Votorantim agreed to provide the Company with new loans to cover interest repayments, except on Subcredit D, the interest on these new loans is payable quarterly, beginning at the moment of disbursement (see discussion on *Votorantim Working Capital Loans 3* below).

Under this credit facility, beginning in June 2015, Itafós must maintain the same ratios as the Itaú Loans (discussed above) with respect to the Itafós Arraias SSP Operations.

Itaú Mezzanine Loans

In 2014, the Company executed and received disbursements from unsecured loan facilities from Itaú (the "Itaú Mezzanine Loans"). The Itaú Mezzanine Loans were comprised of two tranches, a BRL denominated loan agreement for $43.9 million (R$116.8 million) and a USD denominated loan agreement for $11.0 million. The Itaú Mezzanine Loans are guaranteed by MBAC and certain of its subsidiaries.

In June 2014, the Company withdrew $4,476 from its cash collateral accounts related to the USD denominated loan agreement and made principal prepayments of $3,776 and interest payments of $151. The schedule of payments was also amended (see below).

In June 2014, the Company withdrew $10,976 (R$24,521) from its cash collateral accounts related to the BRL denominated loan agreement and made principal prepayments of $8,952 (R$20,000) and interest payments of $1,358 (R$3,034). The schedule of payments was also amended (see below).

The terms of the amended Itaú Mezzanine Loans are as follows:

Value	Interest	Maturity	Term	Repayments
$24.4 million (R$96.8 million)	DI Rate[5] + 8.00% p.a.	April 15, 2019	68 months	• Interest annually beginning Apr 15, 2016 • Principal annually beginning Apr 15, 2016
$7.2 million	9.00% p.a.	April 15, 2019	68 months	• Interest annually beginning Apr 15, 2017 • Principal annually beginning Apr 15, 2017

Working Capital Loans

Itaú Working Capital Loans

Loan	Value	Interest	Maturity	Repayments
Itaú Nassau Loan[(a)]	$10.3 million	3.48% p.a.	August 31, 2015	• Interest and principal due at maturity
Itaú Bridge Loan[(b)]	$2.1 million (R$8.6 million)	DI + 3.50% p.a.	September 15, 2016	• Interest quarterly beginning Dec 15, 2014 • Principal due at maturity
Itaú W/C Loan 1[(c)]	$0.7 million (R$2.9 million)	DI + 4.50% p.a.	September 15, 2016	• Interest quarterly beginning Jan 15, 2015 • Principal quarterly beginning Jan 15, 2015
Itaú W/C Loan 2[(c)]	$2.4 million (R$9.6 million)	DI + 4.50% p.a.	July 20, 2015	• Interest and principal due at maturity
Itaú W/C Loans 3[(d)]	$9.7 million (R$38.2 million)	DI + 4.50% p.a.	November 15, 2020	• Interest quarterly beginning Nov 15, 2014 monthly commencing Sep 15, 2016 • Principal monthly beginning Sep 15, 2016
Itaú W/C Loan 4[(e)]	$2.4 million (R$9.4 million)	DI + 4.50% p.a.	December 18,2015	• Interest and principal due at maturity

(a) This loan was originally was scheduled to mature in March 2014; however during 2015, the Company extended the maturity date of this loan to March 2015 by virtue of settling the loan and immediately entering into a new loan with Itaú with similar terms. Subsequent to year end, this loan agreement was amended to extend the maturity date of the Itaú Nassau Loan to August 2015. The Company was not able to settle this loan. See note 27.

(b) This loan had an original principal balance of $1.8 million (R$7.0 million) and was originally scheduled to mature in January 2014. The Company extended the maturity date of the loan during 2015. During October 2014, as part of the debt extension, the Company amended the loan agreement again. The interest payable at the time of extension was capitalized to the principal and the maturity date was extended to September 2016.

(c) During 2015, the Company executed and received disbursements on new working capital loans. The proceeds of these loans were used to effectively refinance certain debt obligations and bank indebtedness. This loan agreement was amended extending its maturity to July 2015. The Company was not able to settle this loan. Negotiations with the lender are continuing in connection with the Company's proposed strategic transaction.

(d) As part of the debt extension agreement discussed above, Itaú agreed to provide the Company with new loans to cover the debt service needs on the Itaú Loans and other working capital needs. Itaú provided a credit facility in the amount of $14.6 million (R$38.8 million), of which $9.7 million (R$38.2 million) had been disbursed as at December 31, 2015.

(e) This loan was fully used to advanced payment of Santana BNDES loan in November 19, 2015, as part of restructuring process.

[5] ***"DI Rate" refers to accrued average daily Interbank Deposit rates related to one day on a 252 business day basis, calculated and disclosed by CETIP S.A. on www.cetip.com.br***

Votorantim Working Capital Loans

Loan	Value	Interest	Maturity	Repayments
Votorantim W/C Loan 1[(a)]	$5.4 million (R$21.4million)	DI + 4.50% p.a.	June 15, 2018	• Interest semi-annually beginning Mar 15, 2015 and quarterly commencing Sep 15, 2016 • Principal quarterly beginning Sep 15, 2016
Votorantim W/C Loan 2[(b)]	$1.3 million (R$5.0 million)	DI + 4.50% p.a.	April 20, 2015	• Interest and principal due at maturity
Votorantim W/C Loans 3[(c)]	$3.7 million (R$14.6 million)	DI + 4.50% p.a.	November 16, 2020	• Interest quarterly beginning Nov 15, 2014, monthly commencing Sep 15, 2016 • Principal monthly beginning Sep 15, 2016

(a) This loan was originally comprised of 24 individual tranches; the maturity dates of the tranches were staggered by one month, with the first tranches scheduled to mature in October 2014. In 2014, the Company entered into swap arrangements in order to convert the amounts disbursed under the original loans into USD. During 2015, as part of the debt extension, the Company settled the hedging arrangements by virtue of settling the 24 individual loans and immediately entering into a new loan for the same total principal amount. The Company extended the maturity date of this new loan to June 2018.

(b) During 2015, the Company executed and received disbursements from a new working capital loan; the proceeds of which was primarily used to purchase supplies, spare parts and phosphate rock (concentrate) from third parties. Subsequent to year end, the Company was not able to settle this loan; See note 27.

(c) As part of the debt extension agreement discussed above, Votorantim agreed to provide the Company with new loans to cover the debt service needs on the Votorantim Loans and other working capital needs. Votorantim provided a credit facility in the amount of $5.6 million (R$15.0 million), of which $5.4 million (R$14.6 million) had been disbursed as at December 31, 2015.

Santander Working Capital Loan

During 2015, the Company executed a working capital loan with Banco Santander ("Santander") for $17.4 million (the "Santander Working Capital Loan"), of which $10.6 million was disbursed during the year. This loan has an interest rate of LIBOR + 3.473% p.a. and matures on August 21, 2015. Principal is due at maturity and interest is payable semi-annually beginning in February 2015. The maturity date of the loan was extendable by one year; conditional on the disbursement of the remaining $6.8 million, which was conditional upon satisfying certain operational conditions as at December 31, 2015. The Company did not satisfy these operational conditions as at December 31, 2015 (discussed above) and as a result, MBAC will not be able to obtain the second disbursement under the Santander Working Capital Loan or extend its maturity date. The Company was not able to settle this loan. See note 27.

Modal Working Capital Loan

During 2015, the Company settled its two existing Modal working capital loans and entered into a new working capital loan with Modal for $6.1 million (R$16.2 million). This loan had an interest rate of 0.75% per month + DI and matures on March 2, 2015. Principal is due at maturity and interest was payable monthly beginning in May 2014. The Company extended the maturity date of the loan to August 10, 2015, and the interests were capitalized. At December, 2015 the loan amount is $4.5 million (R$17.9 million). The Company was not able to settle this loan. See note 27.

Alpha LLC (Zaff LLC) Working Capital Loan

At the end of July 2015 the Company, through its wholly owned subsidiary MBAC Opportunities and Financing Inc. received a senior secured loan from Alpha Infrastructure LLC (Zaff LLC), amounting to $1.75 million. The loan carries an interest rate of 15% per annum, and its proceeds are intended to be used primarily to prepare the plant for a potential resumption of operations and to fund general and administrative expenses related thereto. In November 2015, the Company received a second loan of $0.15 million to fund legal expenses. In December 2015, the Company received a third loan amounting to $0.9 million to fund general and administrative expenses.

Santana BNDES Loan

During 2014, the Company executed a credit facility with BNDES for $6.7 million (R$17.9 million) (the "Santana BNDES Loan"). As at December 31, 2014, $3.4 million (R$9.0 million) had been withdrawn and $3.3 million (R$8.9 million) remained available under this credit facility. All proceeds were used for development work at the Santana Phosphate Project. Interests due during 2015, were paid through working capital loans provided by Itaú.

In November 19, 2015, the BNDES loan was fully paid in advance using a working capital loan provided by Itaú.

Security

As at December 31, 2015, each of the Itaú Loans, IFC Loan, Mizuho Loan, Votorantim Loans, Itaú Working Capital Loans 3 and Votorantim Working Capital Loans 3 were secured by a first lien on (a) property, plant and equipment acquired in connection with the construction of the production facility at the Itafós Arraias SSP Operations; (b) quotas representing 100% of the equity shares of Itafós; (c) deposits in the Itafós bank accounts; (d) mineral rights related to the project; and (e) first lien on the shares and mineral rights of MBAC Fertilizantes Ltda. (the subsidiary company that holds the Santana Phosphate Project in the State of Pará, Brazil). The FINAME Loans are secured by a lien on equipment acquired in connection with funds from the FINAME lines of credit. The use of proceeds from all of these debt facilities were used to fund expenditures in respect of the development of the production facility at the Itafós Arraias SSP Operations. The Santander Loan is secured by a second lien on the mineral rights and assets of Itafós and by a first lien on the shares and mineral rights of the subsidiary company that holds the Company's rare earth oxides/niobium/phosphate project (Araxá Project). The other Working Capital Loans are secured by a bank guarantee.

16. SHARE CAPITAL

(a) Authorized and issued share capital

Issued share capital as at December 31, 2015 was $262,235 (December 31, 2014 – $312,868). The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series. There are no preferred shares issued or outstanding. As at December 31, 2015, MBAC had 181,607,492 common shares (December 31, 2014 – 181,607,492) issued and outstanding.

(b) Weighted-average number of common shares and dilutive common share equivalents

	December 31, 2015	December 31, 2014
Weighted average number of common shares	181,607,492	172,936,681
Weighted average number of dilutive share purchase options and warrants	–	–
Diluted weighted average number of common shares	181,607,492	172,936,681

The determination of the diluted weighted average number of common shares excludes 4.5 million share purchase options and 35.7 million common share purchase warrants, all of which were anti-dilutive for the year ended December 31, 2015 (December 31, 2014 – 4.7 million share purchase options and 35.7 million common share purchase warrants).

(c) Equity financings

On April 17, 2014, the Company completed a bought deal equity public offering and issued 29,578,000 units of the Company (each "Unit" comprised of one common share of the Company and one common share purchase warrant of the Company ("Warrant")) for aggregate proceeds of $18,800 (C$20,705) less transaction costs of $1,356 (C$1,494). As part of the bought deal equity public offering, directors and officers acquired a total of 5,447,750 Units of the Company for consideration of $3,463 (C$3,813).

(d) Warrants

On April 17, 2014, the Company issued 29,578,000 Warrants as part of a bought deal equity public offering, as described above. The Warrants were allocated a fair value of $5,909 (C$6,507), calculated on the date of grant using the residual fair value method and were allocated transaction costs of $427 (C$469). Each Warrant will entitle the holder to purchase one common share of the Company at an exercise price of C$1.00 per share at any time prior to April 17, 2019.

In connection with the Itaú Mezzanine Loans, the Company issued an aggregate of 6,081,180 common share purchase warrants to Itaú in 2013 as remuneration for services provided, with each warrant entitling the holder to purchase one common share of the Company at an exercise price of C$2.20 per share until April 15, 2019. These warrants are also eligible to be exercised on a "cashless" basis in accordance with the terms of the agreement. These warrants have a fair value of $5,598 (C$5,895), calculated on the date of grant using a market-based option valuation model.

17. SHARE-BASED COMPENSATION

During 2015, the Company issued no share purchase options (2014 – 1,950,000). The authority to issue new stock options was terminated at the annual general and special meeting of shareholders held on June 30, 2015.

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

	Number of options	Weighted average exercise price	
Outstanding, as at December 31, 2013	12,214,658	C$	2.51
Granted	1,950,000		0.98
Exercised	–		–
Forfeited	(9,435,658)		2.59
Outstanding, as at December 31, 2014	4,729,000	C$	1.70
Exercisable, as at December 31, 2014	1.802,663	C$	2.15
Granted	–		–
Exercised	–		–
Forfeited	(208,000)		2.02
Outstanding, as at December 31, 2015	4,521,000	C$	1.69
Exercisable, as at December 31, 2015	3.404.329	C$	2.49

In addition, the Company recognized a total of $353 in share-based payment expense for the year ended December 31, 2015 (year ended December 31, 2014 – $974) and a corresponding increase in contributed surplus. Under the Company's Stock Option Plan, 13,619,769 share purchase options were available for issuance as at December 31, 2015. Subsequent to year end, 2,250,000 options were forfeited.

Share purchase options outstanding as at December 31, 2015 are as follows:

Range	Outstanding	Remaining vested contractual life (in years)	Weighted average exercise price	
C$0.98 - C$1.29	1,475,000	3.15	C$	0.98
C$1.30 - C$2.00	1,675,000	2.98	C$	1.40
C$2.01 - C$2.49	400,000	2.87	C$	2.40
C$2.50 - C$2.99	971,000	1.21	C$	2.97
	4,521,000	2.64	C$	1.69

18. EXPENSES BY NATURE

The following table breaks down the Company’s selling, general and administrative expenses by nature:

	December 31, 2015		December 31, 2014	
Payroll expenses	$	2,264	$	3,282
Restructuring expenses *(Note 14)*		–		1,132
Professional fees		1,535		1,013
Share-based payment expense		353		974
Office and general		374		943
Directors fees		243		467
Depreciation		151		52
Idle production costs, net		21,878		–
Other		692		489

	December 31, 2015	December 31, 2014
	$ 27,490	$ 8,352

During 2015, the idle production costs were expensed through the statement of operations. In 2014, production costs were capitalized to property, plant and equipment.

The following table breaks down the Company's other expense (income) by nature:

	December 31, 2015	December 31, 2014
Non-operational expenses (penalties over past due taxes)	$ 4,717	$ 3,675
Provision for legal claims	3,049	517
Loss (gain) on disposal of assets	62	(4,896)
Other expense (income)	$ 7,828	$ (704)

19. FOREIGN EXCHANGE LOSS

The functional currency of the Brazilian subsidiaries of the Company is BRL. The functional currency of all other entities is CAD and the Company's presentation currency is USD. The total foreign exchange loss of $43,816 for the year (year ended December 31, 2014 – $12,069) was primarily comprised of the unrealized foreign exchange loss of $43,696 (year ended December 31, 2014 – $10,377) on BRL denominated intercompany loans and unrealized foreign exchange loss on foreign currency denominated debt.

20. FINANCE EXPENSE

	December 31, 2015	December 31, 2014
Interest expense	$ (32,766)	$ (2,733)
Realized loss on derivatives *(Note 24)*	–	(535)
Amortization of deferred transaction costs	(4,180)	(1,557)
Other financial expense	(297)	(2,506)
Interest income	17	430
Finance expense	$ (37,226)	$ (6,901)

Interest expense for the year ended December 31, 2015 of $35,698 (year ended December 31, 2014 – $2,733) was primarily related to interest incurred on debt, trade payables and bank indebtedness.

Other financial expense for the year ended December 31, 2015 of $297 (year ended December 31, 2014 – $2,506) was primarily related to financial taxes and fees paid on amendments to loan agreements and financial expenses incurred on intercompany transactions.

21. INCOME TAXES

The following table provides a reconciliation of the statutory rate and the effective income tax rate:

	December 31, 2015	December 31, 2014
Loss before income taxes	$ (116,360)	$ (26,753)
Combined Canadian federal and provincial statutory tax rate	26.5 %	26.5 %
Income tax recovery based on Canadian federal and provincial income tax rates	(30,835)	(7,090)
Difference in foreign tax rates	(5,336)	(1,704)
Non-deductible/taxable items	5,926	(818)
Tax benefit not recognized	30,319	9,714
Withholding taxes	1,183	1,656
Other	–	3
Income tax expense	$ 1,257	$ 1,761

Actual effective tax rate	(1.1) %	(5.5) %

	December 31, 2015	December 31, 2014
Current income tax expense		
Canada	$ –	$ –
Foreign	86	98
	86	98
Deferred income tax expense (recovery)		
Relating to origination and reversal of temporary differences		
Canada	–	–
Foreign	1,171	1,663
	1,171	1,663
Net income tax expense (recovery)	$ 1,257	$ 1,761

The Company's deferred tax relates to the following:

Consolidated Statement of Financial Position	December 31, 2015	December 31, 2014
Deferred income tax liabilities		
Mineral properties and equipment	$ 42,624	$ 45,412
Capitalized interest and fees	20,971	25,223
Unrealized foreign exchange	722	902
	64,317	71,537
Deferred income tax assets		
Non-capital losses carry-forward	51,328	57,338
Investments	6,187	6,035
Other	6,802	8,164
	64,317	71,537
Net deferred income tax liability	$ –	$ –

The Canadian statutory income tax rate was 26.5% for both the year ended December 31, 2015 and the year ended December 31, 2014.

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized.

The Company has non-capital losses of $32,080 (December 31, 2014 – $33,246) in Canada which will expire between 2026 and 2035. No tax benefit has been recognized on the financial statements for the Canadian tax losses. As at December 31, 2015 the Company has Brazilian losses of approximately $266,078 (December 31, 2014 – $239,698) that may be carried forward indefinitely to offset up to 30% of taxable income in any given period. Also, the Company has Dutch losses of $336 (December 31, 2014 – $306) which will expire between 2021 and 2024.

The Company has other deductible temporary differences such as share issuance costs and other write-offs in Canada, Brazil and Netherlands of $15,444 (December 31, 2014 – $17,072) for which deferred tax assets have not been recognized.

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

22. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Key management compensation

Key management includes directors and officers of the Company. The compensation paid or payable to key management for employee services is shown below:

	December 31, 2015	December 31, 2014
Management compensation and directors fees	$ 1,505	$ 1,200
Other benefits	100	123
Share-based payments[1]	353	778
	$ 1,958	$ 2,101

[1] The share-based payments are based on the stock option expense for the current year.

In addition to the above, agreements are held with key members of management to receive certain benefits in the event of termination of employment totalling $503 (year ended December 31, 2014 -$496).

As at December 31, 2015, $417 (2014 - $Nil) was owing to certain directors of the company and included in accounts payable and accrued liabilities.

Other transactions

During the prior year, the Company incurred professional fees of $250 (year ended December 31, 2014 – $377) with Cassels Brock & Blackwell LLP, a law firm of which a former director of the Board is the chairman. These services were incurred in the normal course of operations for general legal matters, firm attendance at committee and board meetings and transaction costs related to public and private financings. All services were made on terms equivalent to those that prevail with arm's length transactions. Cassel director ceased to be a related party during Q4 2015.

On March 28, 2014, the Company executed and received disbursements from a working capital loan with one of its shareholders, a related party, in the amount of $1.0 million. The loan had an interest rate of 16% per annum and was settled on April 17, 2014.

During the year, the Company obtained secured promissory notes totaling $2.79 million from Zaff. Subsequent to year-end, the Company entered into a support agreement with Zaff wherein the loans of $2.79 million (and subsequent loans, debt securities) may be converted into common shares in the Company. In addition, Zaff has placed one of its personnel as the Interim Chief Financial Officer of the Company (see Note 27).

During 2015, zero interest, non-secured loans with due dates of April 2017 were received from shareholders for a total amount of $138.

23. COMMITMENTS AND CONTINGENCIES

The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions is not expected to, in the opinion of management, materially affect MBAC's financial position, results of operations or cash flows. Based on the Company's knowledge and assessment of events as at December 31, 2015, the Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse effect.

The Company has currently accrued $3 million in relation to labour and other claims that have been made. The ultimate outcome of these claims is uncertain at the current time and are management is defending its position in relation to each of these.

The Company has various cancellable operating lease agreements, whereby MBAC is required to give a notice of less than three months for the termination of these agreements.

24. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, foreign currency risk, and commodity price risk. The Company's risk exposures and the impact on the Company's financial performance are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to certain other long-term assets. Management reviews the aging of receivables and reduces the carrying value to provide for possible losses. At December 31, 2015 the Company had minimal accounts receivable of $3 (December 31, 2014, -$73). Cash consists of funds that have been deposited with reputable financial institutions and management believes the risk of loss to be remote.

Liquidity risk

The Company was ramping up production of granulated SSP at the Itafós Arraias SSP Operations in 2014 meeting industry specifications and making deliveries to customers. This production ramp-up was delayed due to severe financial constraints resulting in additional funding requirement to finance the working capital and debt service needs. Refer to note 1 for a discussion of going concern related to liquidity risk.

Interest rate risk

The Company is exposed to interest rate risk on its variable rate debt. The Company also holds a portion of cash in bank accounts that earn variable interest rates. Future net cash flows from interest income on cash and cash equivalents and interest expense on variable rate borrowings will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy for short-term investments and cash held in banks. During the prior year, as part of the debt extension agreements with senior lenders, the Company settled the cross-currency swap agreements which initially converted its floating rate BRL denominated Mizuho Loan and Votorantim Working Capital Loans to fixed rate USD denominated loans (see Note 15).

During 2014 and in accordance with IFRS, prior to achieving commercial production and prior to the suspension of operations, the interest on debt relating to the Itafós Arraias SSP Operations, net of interest earned on those borrowed funds, was being capitalized to property, plant and equipment. As Itafós has been placed on care and maintenance during the year, such interest capitalization was suspended, and is now recognized in the consolidated statement of operations. Interest on debt relating to the Santana Phosphate Project, net of interest earned on those borrowed funds, has been capitalized to mineral properties. All other interest expense is recognized in the consolidated statement of operations.

Foreign currency risk

The following table summarizes the foreign exchange movement and financial impact during the respective periods:

	December 31, 2015	December 31, 2014
BRL weakening against USD	(49.0)%	(12.5)%
CAD weakening against USD	(19.3)%	(9.1)%
Unrealized and realized foreign exchange loss	$ (43,816)	$ (12,069)
Cumulative translation gain (loss)	$ 26,364	$ 9,641

The functional currency of the Brazilian subsidiaries of the Company is BRL. The functional currency of all other entities is CAD and the Company's presentation currency is USD. As at December 31, 2015, management estimates that a 1% change in the BRL to USD exchange rate would have resulted in a change in unrealized foreign exchange gain or loss of approximately $452 (year ended December 31, 2014 – $103).

Commodity price risk

The Company is exposed to commodity price risk with respect to phosphate and SSP fertilizer. Phosphate and SSP fertilizer prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions of major fertilizer producing countries. The profitability of the Company is directly related to the market price of its products. Future price declines could negatively impact the Company's future operations. The Company has not hedged any of its future fertilizer sales..

Capital management

The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of equity and debt financing. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the Company. MBAC monitors its capital through its net cash position. The Company maintains this structure by managing working capital and capital spending programs and reviews its capital management approach on an ongoing basis.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's financial instruments consist of cash and cash equivalents, bank indebtedness, current and long-term receivables, accounts payable and accrued liabilities, and debt. The fair values of cash and cash equivalents, current and long-term receivables, and accounts payable and accrued liabilities approximates their carrying values. The fair values of debt approximate their principal amount outstanding as they are currently in default. The ultimate settlement of the company's outstanding liabilities and obligations is expected to be impacted by the subsequent events in note 27.

The Company recognizes transfers between the levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There were no such transfers during 2015.

25. SEGMENT REPORTING

Operating segments were identified on the basis of internal information reviewed by the chief operating decision maker. Three segments were identified based on the geographical areas and the reporting structure. The Corporate segment is comprised of activities related to administrative offices in Canada, Brazil, Barbados and the Netherlands, the Operations segment is comprised of activities at the Itafós Arraias SSP Operations and the Development and Exploration segment is comprised of activities related to the Santana Phosphate Project and the Araxá Project. The accounting policies of the reportable segments are the same as the Company's accounting policies. All of the Company's pre-production revenue and substantially all of the Company's non-current assets are in Brazil.

For the year ended December 31, 2015:

	Operations	Development & Exploration	Corporate	Total
Operating earnings				
Operating expenses				
Selling, general and administrative expenses	$ 25,153	$ (57)	$ 2,394	$ 27,490
Exploration and evaluation expenditures	–	–	–	–
Operating loss	(25,153)	57	(2,394)	(27,490)
Unrealized Foreign Exchange	(26,966)	(67)	(16,663)	(43,696)
Realized Foreign Exchange	(120)	–	–	(120)
Other Expense	(7,288)	(519)	(21)	(7,828)
Finance Expense	(33,480)	(1,650)	(2,096)	(37,226)
Loss before income taxes	(93,007)	(2,179)	(21,174)	(116,360)
Income tax expense	–	–	1,257	1,257
Net loss	$ (93,007)	$ (2,179)	$ (22,431)	$ (117,617)

For the year ended December 31, 2014:

	Operations	Development & Exploration	Corporate	Total
Operating earnings				
Operating expenses				
Selling, general and administrative expenses	$ 589	$ 40	$ 7,723	$ 8,352
Exploration and evaluation expenditures	–	135	–	135
Operating loss	(589)	(175)	(7,723)	(8,487)
Unrealized Foreign Exchange	(6,662)	–	(3,714)	(10,376)
Realized Foreign Exchange	(1,693)	–	1	(1,692)
Other Expense/Income	3,227	(1)	(2,521)	705
Finance Expense	(2,272)	(1,081)	(3,550)	(6,903)
Loss before income taxes	(7,989)	(1,257)	(17,507)	(26,753)
Income tax expense	–	–	1,761	1,761
Net loss	$ (7,989)	$ (1,257)	$ (19,268)	$ (28,514)

26. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Net change in non-cash working capital items

	December 31, 2015	December 31, 2014
Accounts receivable	$ 46	$ 324
Inventories	2,086	8,121
Other assets	708	865
Accounts payable and accrued liabilities	10,101	7,056
Debt	578	–
Deferred revenue	(1,259)	(94)
Other liabilities	(3,057)	1,584
	$ 9,203	$ 17,856

(b) Interest and income taxes paid

	December 31, 2015	December 31, 2014
Interest paid during the period	$ 3,821	$ 24,508
Income taxes paid during the period	$ –	$ 41

27. SUBSEQUENT EVENTS

On April 5, 2016, the Company entered into a support agreement with Zaff (the "Support Agreement"), the investment fund active in the fertilizer industry, which has previously provided bridge financing to the Company, to give effect to a recapitalization of the Company. Under the agreement, the Company has agreed to pursue the completion of a recapitalization of the Company pursuant to a plan of compromise arrangement under the Companies' Creditors Arrangement Act (Canada) and a parallel extrajudicial restructuring

proceeding in Brazil under The Bankruptcy Law (11,101/2005), (the "Brazil Proceeding"). Per the terms of the Support Agreement, Zaff will acquire substantially all of the outstanding secured and guaranteed debt of the Company and its Brazilian subsidiaries, as well as certain outstanding unsecured debts of the Company and of the Company's Brazilian subsidiaries that are not guaranteed by the Company. Under the Canadian restructuring unsecured creditors of the Company will receive either a percentage of their claim in cash or, in the alternative, a combination of (i) restructured debt of MBAC's primary operating subsidiary or (if elected by the applicable creditor) restructured debt of MBAC; and (ii) common shares of MBAC or (if elected by the applicable creditor) share purchase warrants of an MBAC subsidiary exercisable for common shares of MBAC. As a result of the Brazilian Proceeding, certain secured and unsecured creditors of the Brazilian subsidiaries of the Company will receive either cash or, in the alternative, a combination of (i) restructured debt of the respective MBAC Brazilian subsidiary; and (ii) common shares of MBAC or share purchase warrants. Upon completion of all transactions contemplated by the Support Agreement, Zaff will receive securities representing a controlling interest in the common equity of reorganized MBAC in exchange for the acquired Debt and the interim working capital financing that has been provided or will be provided to the Company. Subject to certain conditions, the investment company will fund the Company's funding requirements during the term of the Support Agreement, up to a maximum of $5 million. Additionally, MBAC will indirectly acquire all of the shares of GB Minerals Ltd. ("GBL") beneficially held by Zaff in return for common shares of MBAC at a ratio of 2.5 shares of MBAC for each share of GBL so acquired.

On April 14, 2016, the TSX announced that the Company's common shares and share purchase warrants would be delisted from the TSX effective May 13, 2016.