MBAC FERTILIZER CORP.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015 (unaudited)

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Balance Sheets

As at September 30, 2016 and December 31, 2015 *(Unaudited and in thousands of United States dollars)*

		September 30, 2016		December 31, 2015
ASSETS				
Current				
Cash and cash equivalents	$	290	$	25
Restricted cash *(Note 4)*		–		146
Accounts receivable		74		3
Inventories *(Note 5)*		494		1,320
Other current assets *(Note 6)*		1,607		1,742
		2,465		3,236
Non-Current				
Other long-term assets *(Note 6)*		18,249		15,558
Property, plant and equipment *(Note 7)*		279,051		246,714
Mineral properties *(Note 8)*		45,848		42,921
Total Assets	$	345,613	$	308,429
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	38,599	$	32,397
Debt *(Note 9)*		326,074		232,995
		364,673		265,392
Non-Current				
Other long-term liabilities		7,553		5,561
Total Liabilities		372,226		270,953
SHAREHOLDERS' EQUITY				
Share capital *(Note 10)*		276,717		262,235
Contributed surplus		15,951		15,315
Warrant reserve		9,097		8,621
Cumulative translation adjustment reserve		(10,096)		9,332
Deficit		(318,282)		(258,027)
		(26,613)		37,476
Total Liabilities and Shareholders' Equity	$	345,613	$	308,429

General Information and Going Concern *(Note 1)*
Commitments and Contingencies *(Note 13)*

ON BEHALF OF THE BOARD:

Signed: "Cristiano Melcher"
Cristiano Melcher
Director

Signed: "Anthony Cina"
Anthony Cina
Director

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

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Statements of Operations

For the periods ended *(Unaudited and in thousands of United States dollars except for per share amounts)*

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Operating expenses				
Selling, general and administrative expenses	$ 1,981	$ 755	$ 4,098	$ 3,109
Operations care and maintenance expenses *(Note 7)*	6,280	4,715	15,078	17,549
Disposal of property, plant and equipment and mineral properties *(Note 7 and 8)*	8,781	–	8,781	–
Impairment of property, plant and equipment and mineral properties *(Note 7 and 8)*	5,882	–	5,882	–
Operating loss	(22,924)	(5,470)	(33,839)	(20,658)
Unrealized foreign exchange gain (loss) *(Note 11)*	(1,923)	(26,565)	22,352	(44,214)
Realized foreign exchange loss	–	–	–	(120)
Other income (expense)	91	(2,812)	(238)	(5,721)
Finance expense *(Note 12)*	(21,682)	(11,090)	(47,696)	(30,544)
Loss before income taxes	(46,438)	(45,937)	(59,421)	(101,257)
Deferred income tax expense	305	281	834	938
	305	281	834	938
Net loss	$ (46,743)	$ (46,218)	$ (60,255)	$ (102,195)
Basic and diluted net loss per share *(Note 10(b)*	$ (0.26)	$ (0.25)	$ (0.33)	$ (0.56)

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

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the periods ended (*Unaudited and in thousands of United States dollars*)

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net loss	$ (46,743)	$ (46,218)	$ (60,255)	$ (102,195)
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss: Cumulative translation adjustment	135	(8,955)	(3,626)	(27,308)
Comprehensive loss	$ (46,608)	$ (55,173)	$ (63,881)	$ (129,503)

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

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2016 and 2015

(*Unaudited and in thousands of United States dollars except for number of shares*)

	Share capital		Contributed surplus	Warrant reserve	Cumulative translation adjustment reserve	Deficit	Total equity
	Number of shares	Amount					
Balance, January 1, 2016	181,607,492	$ 262,235	$ 15,315	$ 8,621	$ 9,332	$ (258,027)	$ 37,476
Net loss for the period	–	–	–	–	–	(60,255)	(60,255)
Other comprehensive income (net of tax):							
Cumulative translation adjustment	–	–	–	–	(3,626)	–	(3,626)
Comprehensive loss for the period	–	–	–	–	(3,626)	(60,255)	(63,881)
Share-based payment recovery	–	–	(208)	–	–	–	(208)
Exchange differences	–	14,482	844	476	(15,802)	–	–
Balance, September 30, 2016	181,607,492	$ 276,717	$ 15,951	$ 9,097	$ (10,096)	$ (318,282)	$ (26,613)
Balance, January 1, 2015	181,607,492	$ 312,868	$ 17,879	$ 10,286	$ (17,032)	$ (140,411)	$ 183,590
Net loss for the period	–	–	–	–	–	(102,195)	(102,195)
Other comprehensive income (net of tax):							
Cumulative translation adjustment	–	–	–	–	(27,308)	–	(27,308)
Comprehensive loss for the period	–	–	–	–	(27,308)	(102,195)	(129,503)
Share-based payment expense	–	–	271	–	–	–	271
Exchange differences	–	(40,906)	(2,352)	(1,345)	44,603	–	–
Balance, September 30, 2015	181,607,492	$ 271,962	$ 15,798	$ 8,941	$ 263	$ (242,606)	$ 54,358

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

MBAC FERTILIZER CORP.

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2016 and 2015 (*Unaudited and in thousands of United States dollars*)

	September 30, 2016	September 30, 2015
Cash provided by (used in):		
Operating activities		
Net loss	$ (60,255)	$ (102,195)
Adjusting items:		
Depreciation and depletion	13,288	14,697
Share-based payment (recovery) expense	(208)	271
Deferred income tax expense	834	938
Loss on disposition of PP&E and other fees	–	352
Unrealized foreign exchange (gain) loss *(Note 11)*	(22,352)	44,214
Impairment and disposal of property, plant and equipment and mineral properties	14,663	–
Other financial expense *(Note 12)*	47,696	20,516
	(6,334)	(21,207)
Net change in non-cash working capital *(Note 16)*	1,544	16,091
	(4,790)	(5,116)
Investing activities		
Proceeds on disposition of property, plant and equipment	–	212
Acquisition of property, plant and equipment	(238)	(194)
	(238)	18
Financing activities		
Proceeds from debt financing *(Note 9)*	5,214	15,397
Repayment of debt	–	(2,938)
Interest and fees paid on debt	–	(6,840)
Change in restricted cash	163	967
	5,377	6,586
Foreign currency effect on cash	(84)	833
Increase in cash	265	2,321
Cash, beginning of period	25	(1,619)
Cash, end of period	$ 290	$ 702

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

1. GENERAL INFORMATION AND GOING CONCERN

MBAC Fertilizer Corp. (the "Company") is a company engaged in the mining, production and exploration of phosphate fertilizers. The Company is focused on becoming a significant integrated producer of phosphate based fertilizers and related products. The Company operates the Itafós Arraias Single Super Phosphate ("SSP") Operations, which consists of an integrated fertilizer producing facility located in central Brazil. The facility is comprised of a phosphate mine, a mill, a beneficiation plant, a sulphuric acid plant, an SSP acidulation plant, a granulation plant and related infrastructure (the "Itafós Arraias SSP Operations"). The Company also has a portfolio of phosphate exploration properties.

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. As of September 30, 2016, the Company had initiated the Restructuring Process (as defined below) and the Company's current liabilities exceeded its current assets. 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 was not in compliance with certain debt covenants at period end, resulting in all debt being classified as current due to the ability of the lenders to request repayment of the debt on demand as at September 30, 2016.

In July 2015, the Company entered into a non-binding offer with Zaff. While the transaction contemplated by the non-binding offer was not completed, Zaff extended to the Company a senior secured bridge loan. The Company drew down on the bridge loan from July 2015 through October 2016 for working capital needs as it had limited other financial resources.

Trading in the Company's securities was suspended on April 5, 2016. On April 14, 2016, the Toronto Stock Exchange (the "TSX") announced that the Company's common shares and share purchase warrants would be delisted from the TSX effective May 13, 2016. The delisting date was subsequently extended to July 11, 2016. The securities were delisted from the TSX and listed on the TSX Venture Exchange ("TSXV") as of July 12, 2016 under the symbol "MBC". Trading in the Company's securities subsequently resumed on November 7, 2016.

In May 2016, following the announcement by the Company in April 2016 of a proposed recapitalization and restructuring transaction, the Company initiated a restructuring transaction to be implemented under an Extrajudicial Restructuring Proceeding in Brazil (the "Brazilian Restructuring"). In August 2016, the Company initiated a recapitalization and restructuring process in accordance with the provisions of the Companies' Creditors Arrangement Act (Canada) in Canada (the "Canadian Restructuring" and, together with the Brazilian Restructuring, the "Restructuring Process"). Refer to Note 18 for additional relevant information.

Subsequent to period end, the Company has implemented the Canadian Restructuring, resulting in Zaff holding approximately 96.25% of the issued and outstanding common shares of the Company. At date of issuance of this report, the Company has yet to finalize the future funding of the operations and re-commencement of production at Itafós Arraias SSP Operations. These circumstances indicate the existence of 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 appropriateness of the use of accounting principles applicable to a going concern.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the going concern assumption be inappropriate, and those adjustments could be material.

The Company's registered office is at 1 Dundas Street West, Suite 2500, Toronto, Ontario, M5G 123, Canada.

2. BASIS OF CONSOLIDATION AND PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

The unaudited condensed interim 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.

The preparation of these unaudited condensed interim consolidated financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company's accounting policies. The areas involving significant judgments and estimates have been set out in Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2015. There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company's audited consolidated financial statements for the year ended December 31, 2015.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 11, 2016, the date the board of directors of the Company approved the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2015. There was no significant impact on the Company's unaudited condensed interim consolidated financial statements as a result of new standards that became effective during 2016. There is no significant change to the considerations of the adoption of new accounting policies in future periods. Management continues to consider the impact of the future pronouncements noted in the audited consolidated financial statements on the Company's financial statements.

See Note 7 and 8 for disclosure on the Santana project impairment as at September 30, 2016.

4. RESTRICTED CASH

As at September 30, 2016, the Company had restricted cash of $Nil (December 31, 2015 – $146) comprised of debt service reserve accounts.

5. INVENTORIES

	September 30, 2016	December 31, 2015
Raw materials	$ 733	$ 648
Work in process	46	49
Spare parts and supplies	1,055	863
	1,834	1,560
Inventory Allowance	(1,340)	(240)
	$ 494	$ 1,320

During Q3 2016, as the Company progressed towards a potential recommissioning in 2017, certain physical inventory assets were examined/analyzed to assess their usability in the forthcoming production plan. As a result of this physical examination/analysis, the Company took an allowance of $1,100 (Q3 2015 - $Nil) for inventory that was not reasonably expected to be utilized in future production with the book value of these inventory assets being reduced to its net realizable value.

6. OTHER LONG-TERM ASSETS

	September 30, 2016	December 31, 2015
Tax credits	$ 18,232	$ 15,556
Finance lease receivable	555	506
Other	1,069	1,238
	19,856	17,300
Less: Current portion	1,607	1,742
	$ 18,249	$ 15,558

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 September 30, 2016, the Company had tax credits of $18,632(December 31, 2015 – $15,556) of which $401 (December 31, 2015 – $326) were included in “Other current assets”.

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Plant	Machinery, equipment and other	Total
Cost				
Balance as at December 31, 2015	$ 2,689	$ 105,218	$ 174,313	$ 282,220
Exchange differences	594	23,262	37,214	61,070
Balance as at September 30, 2016	$ 3,283	$ 128,480	$ 211,527	$ 343,290
Accumulated Depreciation and Impairment				
Balance as at December 31, 2015	$ –	$ 14,121	$ 21,385	$ 35,506
Depreciation for the period	–	5,333	7,955	13,288
Disposal and Impairment	–	–	7,170	7,170
Exchange differences	–	3,283	4,992	8,275
Balance as at September 30, 2016	$ –	$ 22,737	$ 41,502	$ 64,239
Net Book Value				
As at December 31, 2015	$ 2,689	$ 91,097	$ 152,928	$ 246,714
As at September 30, 2016	$ 3,283	$ 105,743	$ 170,025	$ 279,051

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 Arraias SSP Operations were placed under care and maintenance. 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. These expenditures are now recorded as “Idle production costs” included in Operations care and maintenance expenses in the consolidated statement of operations.

The Operations care and maintenance expenses of $15,078 for the period of nine months ended September 30, 2016 (September 30, 2015 – $17,549) was primarily comprised of depreciation expense and salaries/wages.

As part of the Restructuring process, the Company intends to potentially restart the Itafòs operations in Q1 2017. During Q3 2016, a review of Itafós’ physical condition was performed and, during the physical review/analysis of the plant, damaged assets at the plant site were noted. Based on an internal review, the Company estimated that as at September 30, 2016, the carrying value of certain long-term assets exceeded their recoverable value, and

$6.9 million was recorded as a disposal of property, plant and equipment on the unaudited condensed interim consolidated statement of operations, and $0.2 million related to the Santana phosphate project was recorded as impairment on property, plant and equipment (see related Note 8 below).

8. MINERAL PROPERTIES

	Development costs	Exploration and evaluation costs	Accumulated Depletion	Net book value
Balance as at December 31, 2015	$ 32,590	$ 11,759	$ (1,428)	$ 42,921
Impairment and Write-down of Assets	(5,632)	(1,861)	–	(7,493)
Addition	719	–	–	719
Exchange differences	7,448	2,601	(348)	9,701
Balance as at September 30, 2016	$ 35,125	$ 12,499	$ (1,776)	$ 45,848

The addition of $0.7 million for the nine months ended September 30, 2016 related to the capitalized interest expense incurred up to Q2 2016. Subsequent to Q2 2016, the Company has ceased capitalizing finance charges related to Santana.

As part of the Restructuring process, the Company intends to review their development Brazilian projects in 2017. These projects are in the early feasibility study stage.

During the period, the Company identified that following the Restructuring process, expenditures to advance the Santana and Araxá projects were not budgeted in the immediate term, presenting a potential indicator of impairment. The Company estimates that as at September 30, 2016, the carrying value of the Santana cash generating unit (CGU) exceeded its recoverable value by approximately $5.8 million, of which $5.6 million was recorded as an impairment of mineral properties. The Santana phosphate project was written down to its recoverable amount of approximately $11 million, which was determined using a market approach by reference to the weighted average enterprise value multiples of phosphate companies with comparable size, stage of development, ore grade and content.

The Araxa project write-down of $1.8 million is related to capitalized costs for feasibility studies which are not expected to have economic benefits in the future. The Company maintained a cost base of approximately $0.1 million on the financial statements related to the mineral rights of Araxa.

9. DEBT

	September 30, 2016	December 31, 2015
Loans:		
FINAME Loans	$ –	$ 2,299
Itaú Loans	–	62,037
Mizuho Loan	–	15,578
Votorantim Loans	–	12,913
Itaú Mezzanine Loans	6,996	36,660
IFC Loan (Zaff LLC)	46,795	44,606
Working Capital Loans	17,313	58,902
Convertible Debentures	254,970	–
	$ 326,074 [1]	$ 232,995 [1]

[1] Balances include interest accruals and are net of unamortized borrowing costs, which are included as deferred transaction costs in the carrying value of the debt, and amortized using the effective interest method.

The IFC loan was purchased by Zaff during Q4 2015. The FINAME loan, Itau loan, Mizuho loan, Votorantim loan, Itau Mezzanine loan (Brazilian portion), Votorantim working capital loan, and the Santana BNDES working capital loans were indirectly purchased by Zaff during Q2 2016. No significant financial terms were amended as part of these purchases.

Convertible Debentures

All of the abovementioned loans indirectly purchased by Zaff during Q2 2016 were exchanged for convertible debentures issued by the Brazilian companies in favor of Zaff or its subsidiaries as follows: Itafós Mineraçao S.A. - $190 million, MBAC Fertilizantes S.A. - $3 million, and MBAC Desenvolvimento S.A. - $44 million for a total of $237 million (together the "Convertible Debentures"). These Convertible Debentures carry substantially the same interest rates as the legacy loans that the Brazilian companies had with the previous lenders. The Convertible Debentures have a maturity of 10 years and are convertible, at the option of the creditor, at any point starting 2 years after issuance into shares at a price of R$1.00 per share. Certain events of default outlined in the convertible debentures agreement can trigger a potential early conversion as well. The interest is payable on a monthly basis but comes with a grace period of 10 months of non-payment for both principal and interest from April 2016. The conversion features of the Convertible Debentures allow for conversion into equity instruments based on the principal loan value. As of September 30, 2016, the Company remained in default of applicable debt covenants, and therefore the Convertible Debentures were callable on demand.

Subsequent to period end, the Convertible Debentures were indirectly acquired by the Company in exchange for common shares issued by the Company.

Modal Working Capital Loans

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 new loan had an interest rate of 0.75% per month + DI, the scheduled maturity date was extended to August 10, 2015, and the interest was capitalized. As of September 30, 2016, the loan was still outstanding. Refer to Note 18 for additional relevant information.

Zaff (formerly known as Alpha Infrastructure LLC) Working Capital Loans

During 2016, the Company, through its wholly owned subsidiary MBAC Opportunities and Financing, Inc., received senior secured loans of $5.7 million (including accrued interest) from Zaff under the terms of the support agreement was entered into by and between the Company and Zaff. That support agreement is dated April 4, 2016 and amended on August 3, 2016. The loans carried an interest rate of 15% per annum. Similar to 2015, the proceeds of the funds were used to prepare the plant for the potential resumption of operations and to fund general/administrative expenses related to the potential reorganization. As of September 30, 2016, the total amount outstanding with Zaff was $8.9 million. Refer to Note 18 for additional relevant information.

10. SHARE CAPITAL

(a) Authorized capital

Share capital as at September 30, 2016 was $277 million (December 31, 2015 – $262 million). Prior to the Company's continuance into the Cayman Islands in connection with the Canadian Restructuring, the Company was 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 preference shares issued or outstanding. As at September 30, 2016, the Company had 181,607,492 issued and outstanding common shares (December 31, 2015 – 181,607,492). See subsequent events note for additional relevant information.

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

	Nine months ended	
	September 30, 2016	September 30, 2015
Weighted average number of common shares	181,607,492	181,607,492
Weighted average number of dilutive share purchase options	–	–
Diluted weighted average number of common shares	181,607,492	181,607,492

11. UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)

The functional currency of the Brazilian subsidiaries of the Company is BRL. The functional currency of all other entities as of September 30, 2016 is CAD and the Company's presentation currency is USD. The unrealized foreign exchange gain of $22 million for nine months ended September 30, 2016 (nine months ended September 30, 2015 – loss of $44 million) was primarily comprised of the unrealized gain resulting from revaluation of long-term debt denominated in foreign currency and inter-company loans between the Company's subsidiaries.

12. FINANCE EXPENSE

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2015	September 30, 2015
Interest expense and amortization of deferred transaction costs	$ (21,470)	$ (11,785)	$ (47,053)	$ (31,140)
Other financial (expense)/income	(212)	695	(643)	596
Finance expense	$ (21,682)	$ (11,090)	$ (47,696)	$ (30,544)

Interest expense and amortization for the nine months ended September 30, 2016 of $47.6 million (September 30, 2015 – $31 million) was primarily related to interest incurred on debt, trade payables and bank indebtedness. Other financial expense, net of interest income for the nine months ended September 30, 2016 was $643 (September 30, 2015 – income of $596) was primarily related to financial taxes, fees paid on amendments to loan agreements and financial expenses incurred.

13. COMMITMENTS AND CONTINGENCIES

The Company may be involved in legal proceedings from time to time that arise in the ordinary course of its business. The amount of any ultimate liabilities, including interest and penalties, 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 September 30, 2016, 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 accruals in relation to labor and other claims that have been made. The ultimate outcome of these claims is uncertain at the current time and management is defending its position in each case.

14. SEGMENT REPORTING

Operating segments

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. 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. Substantially all of the Company's non-current assets are in Brazil.

For the nine months ended September 30, 2016:

	Operations	Development Exploration	Corporate	Total
Operating earnings				
Operating expenses				
Selling, general and administrative expenses	$ 2,928	$ 90	$ 1,080	$ 4,098
Operations care and maintenance expenses	15,078	–	–	15,078
Disposal of property, plant and equipment and mineral properties	6,920	1,861	–	8,781
Impairment on property, plant and equipment and mineral properties	–	5,000	882	5,882
Operating loss	(24,926)	(6,951)	(1,962)	(33,839)
Unrealized and realized foreign exchange gain	12,516	17	9,819	22,352
Other income (expense)	1,872	52	(2,162)	(238)
Finance (expense) income	(47,907)	(3,239)	3,450	(47,696)
Income (loss) before income taxes	(58,445)	(10,121)	9,145	(59,421)
Income tax expense	–	–	834	834
Net income (loss)	$ (58,445)	$ (10,121)	$ 8,311	$ (60,255)

For the nine months ended September 30, 2015:

	Operations	Development Exploration	Corporate	Total
Operating earnings				
Operating expenses				
Selling, general and administrative expenses	$ –	$ 33	$ 3,076	$ 3,109
Operations care and maintenance expenses	17,549	–	–	17,549
Operating loss	(17,549)	(33)	(3,076)	(20,658)
Unrealized and realized foreign exchange loss	(26,079)	(52)	(18,203)	(44,334)
Other expense	(5,219)	(499)	(3)	(5,721)
Finance expense	(34,069)	(1,241)	4,766	(30,544)
Income (loss) before income taxes	(82,916)	(1,825)	(16,516)	(101,257)
Income tax expense	–	–	938	938
Net income (loss)	$ (82,916)	$ (1,825)	$ (17,454)	$ (102,195)

For the three months ended September 30, 2016:

	Operations	Development Exploration	Corporate	Total
Operating earnings				
Operating expenses				
Selling, general and administrative expenses	$ 1,557	$ 28	$ 396	$ 1,981
Operations care and maintenance expenses	6,280	–	–	6,280
Disposal of property, plant and equipment and mineral properties	6,920	1,861	–	8,781
Impairment on property, plant and equipment and mineral properties	–	5,000	882	5,882
Operating loss	(14,757)	(6,889)	(1,278)	(22,924)
Unrealized and realized foreign exchange gain	(1,558)	–	(365)	(1,923)
Other expense	2,162	91	(2,162)	91
Finance income (expense)	(23,883)	1,043	1,158	(21,682)
Loss before income taxes	(38,036)	(5,755)	(2,647)	(46,438)
Income tax expense	–	–	305	305
Net loss	$ (38,036)	$ (5,755)	$ (2,952)	$ (46,743)

For the three months ended September 30, 2015:

	Operations	Development Exploration	Corporate	Total
Operating earnings				
Operating expenses				
Selling, general and administrative expenses	$ (1,399)	$ –	$ 2,154	$ 755
Operations care and maintenance expenses	4,715	–	–	4,715
Operating loss	(3,316)	–	(2,154)	(5,470)
Unrealized and realized foreign exchange loss	(15,069)	(1)	(11,496)	(26,566)
Other expense	(6,881)	(319)	4,388	(2,812)
Finance expense	(12,109)	(315)	1,334	(11,090)
Loss before income taxes	(37,375)	(635)	(7,928)	(45,938)
Income tax expense	–	–	280	280
Net income (loss)	$ (37,375)	$ (635)	$ (8,208)	$ (46,218)

15. FAIR VALUE MEASUREMENT AND RISK FACTORS

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. These unaudited condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These unaudited statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

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, current and long-term receivables, accounts payable and accrued liabilities and debt. As at September 30, 2016, the fair values of cash and cash equivalents, current and long-term receivables, debt, and accounts payable and accrued liabilities approximates their carrying values. Subsequent to Q3 2016, certain outstanding unsecured debts of the Company that were not guaranteed by the Company, along with certain other financial liabilities, were indirectly acquired by the Company for a significantly lower amount as part of the Restructuring transaction. Refer to Note 18 for further details.

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 the nine months ended September 30, 2016.

16. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital items:

	September 30, 2016	September 30, 2015
Accounts receivable	$ (66)	$ 48
Other assets	1,215	2,095
Accounts payable and accrued liabilities	(6,822)	6,970
Deferred revenue	–	(1,259)
Other liabilities	7,217	8,237
	$ 1,544	$ 16,091

17. 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:

	September 30, 2016	September 30, 2015
Management compensation and directors fees	$ 790	$ 931
Termination benefits related to restructuring	460	505
Other benefits	91	74
	$ 1,341	$ 1,510

Upon implementation of the Canadian Restructuring, Zaff became a related party to the Company. During 2015, the Company received senior secured loans amounting to $2.9 million from Zaff which may be converted into common shares in the Company. As of September 30, 2016 the total amount outstanding with Zaff was $8.9 million. See subsequent events note for additional relevant information.

18. SUBSEQUENT EVENTS

Subsequent to Q3 2016, MBAC Opportunities and Financing Inc. (a wholly-owned subsidiary of the Company) continued to receive additional senior secured bridge loans from Zaff in the aggregate amount of $2.5 million under the terms of the support agreement entered into by and between the Company and Zaff dated as of April 4, 2016 and amended as of August 3, 2016.

The Canadian Restructuring received creditor approval on September 20, 2016, was sanctioned by the Ontario Superior Court of Justice (Commercial List) on October 3, 2016, and was implemented on October 27, 2016. Upon implementation of the Canadian Restructuring:

- the Company has 52,154,038 issued and outstanding common shares (shares had been consolidated at a ratio of one (1) post-consolidation common share for each 100 pre-consolidation common shares immediately prior to implementation of the Canadian Restructuring);
- there was significant dilution to the holdings of then existing shareholders which resulted in Zaff holding approximately 96.25% of the issued and outstanding common shares of the Company;
- all existing options, warrants and equity claims against the Company and MBAC Opportunities and Financing Inc. were cancelled;
- all the secured and unsecured debt owed by the Company and MBAC Opportunities and Financing Inc. (including the Modal working capital loans, and the Zaff working capital loans) were either repaid or cancelled, or exchanged for common shares in the Company and/or debentures, in accordance with the Canadian Restructuring;
- the Convertible Debentures (described in Note 9) were indirectly acquired by the Company from Zaff in exchange for common shares of the Company;
- the Company ceased to be a Canadian entity and continued as a company under the laws of the Cayman Islands;
- the Company acquired from Zaff, in exchange of shares in the Company, an approximate 31.3% indirect interest in GB Minerals Ltd. (TSXV:GBL) which owns the Farim Project, a high-grade phosphate deposit located in Guinea Bissau and an approximate 36.6% indirect interest in Stonegate Agricom Ltd. (TSX:ST) which owns the Paris Hills Project, a high-grade phosphate deposit located in Idaho, United States of America, and the Mantaro Project, a high-grade phosphate deposit located in Peru; and
- the Company will continue to receive administrative and financial support from Zaff as the Itafos plant is being recommissioned.

On November 7, 2016, trading in the Company's securities (which had been suspended since April 2016) resumed. The Company continues to be listed on the TSXV under the symbol "MBC".